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VETERANS' DISABILITY COMPENSATION COST-OF-LIVING INCREASE AND RELATED BENEFITS, AND OTHER MATTERS

COMPLETED

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ORIGINAL

HEARING

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS UNITED STATES SENATE

NINETY-NINTH CONGRESS

FIRST SESSION

OCTOBER 3, 1985

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VETERANS' DISABILITY COMPENSATION COST-OF-LIVING INCREASE AND RELATED BENEFITS, AND OTHER MATTERS

THURSDAY, OCTOBER 3, 1985

U.S. SENATE,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 9:00 a.m., in room SR-418, Russell Senate Office Building, Hon. Frank H. Murkowski (chairman of the committee) presiding.

Present: Senators Murkowski and Cranston.

Mr. PRINCIPI. Good morning.

I regret that the chairman has been called out to an urgent meeting of Republican Senators. It was a last-minute notice. He had to meet with Senator Dole at 8:45 this morning, and then at 9:30 he has been called to an important meeting of the Intelligence Committee regarding certain Soviet arms reduction proposals.

As is usual in this body, the Members are required to be at six places every minute of every day.

So, in the interests of time I will serve as acting chairman, and my distinguished colleague, Mr. Steinberg, will serve as acting ranking minority member until Senator Cranston arrives, or Senator Murkowski, or both.

But I do apologize. But I think it is important that we get this information on the record and give you an opportunity to focus on these important points.

I will not read Senator Murkowski's opening statement. In the event he does arrive, he will either read it or submit it for the record.

So with that, Mr. Vogel—again I apologize—if you would please proceed, and then we will have a few questions until Senator Cranston arrives.

STATEMENT OF R.J. VOGEL, CHIEF BENEFITS DIRECTOR, VETERANS' ADMINISTRATION, ACCOMPANIED BY LEW DOLLARHIDE, DIRECTOR, EDUCATION SERVICE; AND ROBERT O'TOOLE, DIRECTOR, LOAN GUARANTY SERVICE

Mr. VOGEL. Thank you, Mr. Principi.

I am pleased to be here with you this morning. There are a good many items on the agenda of interest to veterans and the Veterans' Administration. You have a copy of my written statement. Rather than read it, I would like to highlight a few priority items.

We urge the committee to act promptly to approve the compensation DIC cost-of-living adjustment. The percentage should be equal to the Social Security/VA pension increase effective December 1. Time is growing short, and unless action is completed by the end of this month, it will be virtually impossible to have the January checks reflect the increases.

Our compensation proposal would enable National Guard personnel serving on full-time operational duty to qualify for veterans' benefits. Also, we would like to see the principle of paired organ impairment extended to veterans for service-connected lung impairments who later become totally disabled by reason of the other lung's impairment.

I would also like to emphasize our support of S. 1602, a bill to expand specially adapted housing assistance to veterans who have suffered service-connected blindness with a loss or loss of use of both hands. Under this bill, the veteran who purchases a home already adapted could receive a grant up to the fair market value.

I also urge your favorable consideration of other legislative recommendations we have submitted to the Congress involving the educational and loan guaranty programs.

You asked for our views on a collocation proposal. We tend to favor collocation, moving VA regional offices to locations with medical centers where it is cost effective. We expect to propose collocation of individual offices on a case-by-case basis.

Mr. Principi, that concludes the summary of my testimony. I would be pleased to respond to any of your questions.

I have with me at the table Mr. Lew Dollarhide, the Director of the Education Service, and Mr. Robert O'Toole, the Director of the Loan Guaranty Service.

[The prepared statement of Mr. Vogel appears on p. 29.]

Mr. PRINCIPI. Thank you, Mr. Vogel. I appreciate your comments. and I know that this is your first official appearance before the committee, and I know the chairman wanted to welcome you, and looks forward to working with you.

Mr. VOGEL. Thank you, sir.

Mr. PRINCIPI. I have a few questions, and then I will defer to Mr. Steinberg.

I would like to address the issue of collocation. I note from the testimony that you support the concept, and certainly the service organizations appear to support the concept of collocation. In order to reduce costs and hopefully to improve service, this committee has encouraged the VA to collocate its regional office activities on the grounds of VAMC's.

Can you be a little bit more definitive? What specific plans do you have, and what timeframe do you have to accomplish this collocation in fiscal year 1986 and beyond?

Mr. VOGEL. Yes, sir.

We have done what we call A-104 studies, which are really cost-benefit studies on five locations: Fargo, Wichita, Houston, St. Paul, and Little Rock. Of those first five, the recommendation is, or the thought is, to build at Fargo, Wichita, and Houston, and to renovate existing buildings on the grounds of the medical centers in St. Paul and Little Rock.

We estimate the cost of that at $46.3 million. That would mean, on the basis of the standard local user charge that is now paid to the General Services Administration, that the annual payback is $4,800,000. So that in those five locations, in 9.5 years, you would amortize the cost of construction.

We have studies currently underway at St. Petersburg, Newark, San Francisco, and Des Moines. Our fiscal 1987 budget submission will have in it a proposal to proceed with the construction at Fargo and Wichita. We have over a period beginning in fiscal 1987 and through 1991, identified opportunities at least at 27 locations, and the ones that I alluded to a moment ago are the first off the block. We are looking at Reno, Boston, on out through 1991, sir.

Mr. PRINCIPI. How many can be done, how many can be collocated in fiscal year 1986?

Mr. VOGEL. I do not think we could achieve a collocation at any site in fiscal 1986. We do not have any in the 1986 plan at this time. There is no funding provided for it.

Mr. PRINCIPI. If construction were limited to just the renovations of those facilities or locations that you mentioned, whether it was Fargo, Wichita, or Houston, could any of those be collocated if you would not have to build a new facility?

Mr. VOGEL. No; existing facilities are either not renovatable, if I can use that word, or the cost of renovation would be so excessive that it would not be cost beneficial to do so.

Mr. PRINCIPI. Thank you.

I'll relinquish my acting chairmanship to——

Mr. STEINBERG. Continue your questions.

Senator CRANSTON. Go ahead.

Mr. PRINCIPI. For purposes of educational benefits, you compute the training time of students enrolled in vocational courses differently than those in academic courses. What is the origin of this distinction between the vocational training and academic.

Mr. DOLLARHIDE. Yes. Lew Dollarhide, Director of Education Service, Mr. Principi.

The distinction arose in the Korean GI bill to correct abuses which occurred in the World War II GI bill, primarily as a safeguard against a lot of fraud and abuse which existed during the World War II Program.

That is the basis for the distinction between them.

Mr. PRINCIPI. Have vocational schools and the nature of vocational training changed to such a degree since that time that the distinction is no longer necessary?

Mr. DOLLARHIDE. Well, there has been, of course, some evolution, but I do not think to the degree, if we are talking about S. 1207, that we could recommend that the change go that far. In the community college system, particularly, a lot of those schools have degree programs and vocational courses—in some of those cases, veterans do sit in the same classroom and are measured differently.

A proposal in our legislative package would correct that, but I think to go as far as S. 1207 reads would be a step too far and would open up the program to some abuse.

Mr. PRINCIPI. What is the——

Mr. DOLLARHIDE. The other part of that, Mr. Principi, as S. 1207 is presented, it takes care of, or purports to take care of situations in institutions of higher learning. It does preclude a lot of strictly vocational schools, which are also good schools. So you would have those veterans treated differently, too.

But our proposal would eliminate the inequity of having veterans sitting in the same classroom being treated differently.

I think the whole subject needs a lot of study.

Mr. PRINCIPI. One further question on this point.

What is the rationale for the reduction of benefits due to absences for a veteran in a vocational course during the period of time when the school is closed, while the veteran in an academic course does not have a similar reduction of benefits?

Mr. DOLLARHIDE. Well, those are differences contained in the current law, and as I indicated, the basis for them was created in the Korean GI bill.

Mr. PRINCIPI. In your view, should it be changed? Should that distinction be eliminated now?

Mr. DOLLARHIDE. I think the whole question should be given the benefit of much more detailed study than it has received.

Mr. PRINCIPI. Thank you very much, Mr. Dollarhide.

I would like to shift for a moment to the Home Loan Program. As you are aware, this is an area of great interest to the committee and to the service organizations as a result of the shortfalls experienced in the revolving fund, the large inventory of homes, and the steady rate of foreclosures. These are, I think, of concern to all veterans.

Mortgage bankers have recently completed a study, and one of their recommendations was that the VA revise and tighten up its underwriting standards across-the-board in an effort to reduce the high rate of foreclosure. But I have heard the argument from the VA that underwriting standards are sound, and the problem lies with the regional offices perhaps not enforcing the standards that are currently on the books.

Now, in your view, Mr. Vogel, what is the problem? Should the underwriting standards be tightened up? Do you really do a favor to a veteran by getting the veteran in a home that the veteran cannot afford or is likely not to be able to afford in the near future? The housing market today is like buying a new car, almost; when you drive it off the lot it kind of reduces in value. Well, I think that is happening with homes, so that 2 or 3 months down the line there is no buildup in equity like we saw in the sixties and the seventies.

What is your view about changing, going from the current approach to a ratio of assets to liabilities, income to debts?

Mr. VOGEL. We viewed very, very positively the task force of the Mortgage Bankers Association, and have had conferences with our field personnel and issued reminder instructions and some instructions which tighten up underwriting to the degree that we think it needs to be done.

We think basically our underwriting is good. We need to strengthen it. There are some problems—and to that end, loan guaranty officers have had conferences this last summer and fall on that subject.

The idea of ratios, we think, is too rigid a methodology. It takes out the individual considerations and the kinds of concern we have to make the underwriting applicable to each veteran's particular circumstance. And we see the ratio thing as unnecessarily fixed.

Mr. PRINCIPI. Perhaps I could return. I would like now to defer to Senator Cranston.

OPENING STATEMENT OF SENATOR CRANSTON

Senator CRANSTON. Thank you very much.

I am delighted to welcome today's witnesses and all others to this hearing. We will be focusing this morning on issues relating to the VA Service-Connected Compensation Program, including a COLA. In addition, the agenda contains items and proposals related to VA education benefits, the Home Loan Guaranty Program, and burial and cemetery issues.

The VA's Service-Connected Disability Compensation Program is at the very heart of our system of veterans' benefits. The priority that this committee attaches to the needs of over 2.2 million service-connected disabled veterans and the 342,000 survivors of those who have made the ultimate sacrifice is well-known and well-established. They are and will remain our No. 1 priority. They are certainly mine.

Once again, I am delighted that this committee will be taking actions necessary to provide for a compensation and DIC increase equal to the percentage increase to be provided for Social Security and VA pension benefits, effective December 1, 1985. As we noted in reporting this committee's recommended reconciliation legislation to the Budget Committee last week, our commitment to this approach remains strong.

I also want to note the position of this committee on any proposal to subject disability compensation to Federal income tax. Along with our chairman, all members of this committee except one have joined with me as cosponsors of Senate Concurrent Resolution 20 to express categorical opposition to any such proposal to tax compensation. Indeed, a majority of the U.S. has endorsed this measure. The House has adopted similar language in the compensation measure that passed in May. The result, as we all know, is that we have for now effectively killed that proposal, which had emerged from the administration as part of its initial tax reform package.

I want to express my thanks to the chairman for including on the hearing agenda this morning a number of measures I have been pursuing during this session.

They include S. 1397, which I introduced on June 27, and which is designed to ensure that the VA does not carry out in fiscal 1986 its very poorly conceived, ill-advised consolidation proposal. Prospectively, for the purposes of section 210(b)(2) of title 38, which requires advance submission to the Congress of a detailed plan and justification for any proposed substantial reorganization in the VA, this measure would also define precisely what type of information and detailed plan and justification for any future proposed reorganization must contain.

Also, S. 962, which I joined Senator Cohen in introducing on April 22, would permit veterans training under the new GI bill to use their benefits for VA on-the-job training and apprenticeship programs.

S. 1509, which I introduced on July 26 with Senator Cohen, which is also cosponsored by Senators Bumpers and Mitchell, would permit new GI bill benefits to be used for pursuit of education through home-study and would add responsibility for monitoring this new chapter 30 program to the responsibilities of the VA's Advisory Committee on Education.

Finally, S. 9, which I introduced on January 3, and which is cosponsored by Senator DeConcini, would provide for an increase in the maximum VA home loan guaranty. That maximum has not been raised for 5 years. I believe an increase is fully warranted. As you will recall, I pursued a similar increase last year in the 98th Congress, but without success.

Before closing, I want to repeat what I said at yesterday's hearing about EVJTA extension legislation. I will be introducing today legislation to extend, improve, and authorize additional appropriations for the Emergency Veterans Job Training Act of 1983. As the original Senate author of Public Law 98-77, along with former Chairman Simpson, and of the program extension enacted last year in Public Law 98-543, I am intensely interested in this area. Indeed, in July, I joined with Chairman Murkowski in offering an amendment that was approved by the Senate to extend the time for veterans to enter training under this job training program.

As a result, both Houses passed a bill to extend to July 1, 1986, the period to enter training. On Monday, September 30th, that measure was signed into law as Public Law 99-108.

The measure I will be introducing today would generally reopen the program for new applications by eligible veterans once new appropriations are made. It would also make a number of improvements designed to overcome program weaknesses revealed at our hearings, especially the high veteran dropout rate, and to take into account employers 'general satisfaction with the program.

I will be asking today's witnesses to provide written input on this measure.

In closing, I want to note that I look forward to working closely with the chairman and other members of the committee as we develop this legislation over the course of the next few weeks. Although our timeframe is quite short, I am confident that we will be able once again to develop a bipartisan measure that fulfills our commitment to ensure that compensation and DIC benefits for this Nation's service-connected disabled veterans and the survivors of those who have died from service-connected causes, are protected from the effects of inflation, and that provides needed safeguards for and improvements in VA programs.

I look forward to the testimony this morning. I will not be able to remain for the entire hearing, but I will be submitting questions in writing for the record.[1]

First of all, Mr. Vogel, welcome to you on your first appearance before the committee as Chief Benefits Director. You have a formidable task, following in Dorothy Starbuck's footsteps, and we wish you well in your new position.

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[1] See p. 317.

As you know, Mr. Vogel, the President on Monday signed Public Law 99-108, which reopens the Emergency Veterans Job Training Act of 1983 to eligible veterans who had received certification of eligibility for the program prior to February 28, 1985. These veterans now have until July 1, 1986, to enter training approved under this job program.

I believe it is vitally important that the VA and the Labor Department do all that can be done to locate and assist these particular veterans, particularly since it is likely that they are very much in need of employment assistance and have hardcore unemployment problems.

In this regard, I would like to recommend strongly that the VA send a letter at the veteran's last known address to those certified veterans who were not placed. This could simply be a notice that the act has been reopened, and urging them, if they believe they are still eligible, to contact either the VA or the Department of Labor.

Of course, some individuals may already have obtained employment on their own, may have moved, or may simply no longer be interested. However, it seems to me that this would be a very worthwhile initiative, and I wonder if you agree.

Mr. VOGEL. Yes, sir.

First, Senator Cranston, thank you for your kind words of welcome. I appreciate that, and I quite agree that following in the footsteps of Dorothy Starbuck is not an easy feat.

We are prepared and willing to undertake such a mailing, sir. I think the point you made is very well taken. We will not be able to locate all of them. Some will have in fact obtained employment, but a notification as to, if I can use the word, renewed eligibility or extended eligibility, is an initiative we are prepared and able to undertake.

Senator CRANSTON. That is great. When do you think they will go out, the letters?

Mr. VOGEL. Thirty days, sir. We can get them out within a month.

Senator CRANSTON. Would you report to me on progress and on actual implementation?

Mr. VOGEL. Yes, sir, we certainly will.

Senator CRANSTON. I would appreciate it.

Is there anyone here from the Department of Memorial Affairs?

Mr. HAMERSCHLAG. Yes, sir.

Senator CRANSTON. Would you identify yourself?

Mr. HAMERSCHLAG. Arthur Hamerschlag, Deputy Memorial Affairs Director.

Senator CRANSTON. Thank you very much.

I just want to ask this. With respect to the provisions of H.R. 2344 that would have required that the VA develop a new national cemetery in northern California in Merced County, I am delighted that the enactment of that provision will not be necessary, and that the VA has decided, as I had strongly urged, that the Santa Nella site should be the location for that new cemetery.

It has been noted in the prepared testimony today, as did the Administrator in his September 20 letter to me, that the VA will move as quickly as possible to accomplish the land transfer, obtain funds for construction, and develop the site for veterans' interments.

Would you please give us for the record a timetable for the opening of the new cemetery, detailing all the necessary steps, and the length of time involved in each between now and opening the cemetery for interment.

Mr. **Hamerschlag.** I would be happy to.

The first requirement is an environmental impact statement. That will take approximately 15 months. A master plan will follow that; that is about 1 year. Working drawings will take 12 to 18 months, and construction itself will take approximately 18 months.

The total will be about 5 years, so we should open about 1990.

The cost of the environmental assessment and master plan, would be about $400,000, the working drawings about $600,000, construction itself on the order of $7½ million for the initial phase.

Senator **Cranston.** Due to the fact that there are no burial spaces available in northern California at the present time, that seems an inordinately long process, and I wonder if some of those steps cannot be taken concurrently. I would like to request that you consult with the Administrator and whoever other is necessary and see if that cannot be speeded up. That is an incredibly long time to take to develop that.

Mr. **Hamerschlag.** We share your frustration. The process is very long. We will do everything we can to speed that up and overlap those steps as best we can.

Senator **Cranston.** Would you see what can be done to speed up that timetable and report back to us, please?

Mr. **Hamerschlag.** I will be happy to.

[Subsequently, the Veterans' Administration submitted the following information:]

NEW NATIONAL CEMETERY FOR NORTHERN CALIFORNIA

The Veterans' Administration has announced plans to proceed with developing a new national cemetery in northern California. A 450-acre property in Merced County, which the owners have offered as a donation, has been identified as the preferred site.

Historically, it has taken 5 to 6 years to open a new national cemetery. The projected schedule for northern California has been carefully reviewed, and is shown below. Although we will make every effort to overlap or shorten stages wherever possible, this represents a realistic estimate of the time which will be required to complete the project.

Milestones [1]	Estimated time	Estimated completion
Environmental impact statement	15 months	February 1987.
Master plan	12 months	February 1988.
Construction documents	18 months	August 1989.
Construction	18 months	February 1991.

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[1] VA must comply with the National Environmental Policy Act of 1969 (Public Law 91-190), which will involve development of an Environmental Impact Statement. Comprehensive master planning and detailed construction documents (working drawings, etc.) are essential in order to avoid costly errors, oversights, or poor land use. Actual construction would typically include development of an entrance gate, roadways, administration building, service building, committal shelters, flagpole-assembly area, and burial areas.

Senator **Cranston**. I do find it hard to believe that it should take that long, especially in view of the speed with which we now and then accomplish things, when it is necessary. I think back to the days of World War II, when miracles were achieved in terms of production and many other activities in very short time. I really think that that could be done much more swiftly.

Mr. **Hamerschlag**. We will take a close look at that, and get back to you on that, sir.

Senator **Cranston**. Thank you.

Mr. **Principi**. Mr. Vogel, I would like to return to the issue of underwriting standards. You expressed concern that adopting a ratio as opposed to the residual approach would take some of the subjectivity out of it on a case-by-case basis.

Would it not be possible to adopt a ratio formula, amend the regulations and guidelines, and establish criteria by which veterans who do not meet those ratios, and would otherwise be ineligible for a VA-guaranteed loan, would be able to appeal to the loan guarantee office of the VA regional office, to demonstrate why, although income or assets are not sufficient, or his liabilities are too high. There are additional facts, such as a second appraisal of the home, that would allow the VA to go ahead and guarantee the loan?

Mr. **Vogel**. Well, in the course of underwriting, the underwriting is undertaken with all the facts available and necessary to make the determination. As any new factors would come into play, changes in income, market value of the home, and such things, we are certainly willing to reconsider the original underwriting.

The idea of an appeal is in fact in place. Obtaining additional information beyond that which was provided upon the first submission could certainly be done.

I think that the idea of formalizing a two-step or even a three-step procedure, when the application can be resubmitted with additional evidence at any time, based on an original rejection or our decision not to issue a commitment, can be done at any time.

Mr. O'Toole, do you have anything to add to that, sir?

Mr. **O'Toole**. No, sir.

Mr. **Principi**. Well, in view of the fact that foreclosures are still running around 2500 a month, and we are losing anywhere from $10,000 to $15,000 a home, and perhaps more, depending upon how you calculate the loss, what do you recommend?

Mr. **Vogel**. Well, we are indeed concerned about the rate of default. We have, since May, turned the corner on acquisitions to sales; we are selling more properties than in fact we are acquiring. As recently as the end of April we had nearly 22,000 properties in inventory. Today we are at 18,500 and coming down. We have initiated very aggressive marketing efforts. We will provide discounts for cash purchases. We have had successful auctions; although that is helpful in particularly hard-hit areas, it is not applicable to the entire Nation. We have had successful auctions in Detroit; Houston; Peoria; Cedar Rapids, IA; and Portland, OR; and plan some more.

We have in fact discounted homes and knocked the price down in an attempt to market them. We feel that we are making very positive headway in that inventory, sir.

Mr. PRINCIPI. How about the period of time it takes to foreclose on a property? I understand it is around 8 months in States with nonjudicial foreclosures, and 12 months in States with judicial foreclosures. The bankruptcy laws are causing great problems to the VA and other lenders in some States, such as California. People file for bankruptcy, which stops the foreclosure.

Is there a balance we could draw between assisting the veteran to cure the default, get back into the home, and make the payments, saying, we must go ahead with the foreclosure, and cut the VA's losses so there will be money for other veterans. Also, the veteran carries the debt, so perhaps, you know, carrying forebearance out unreasonably is not to the advantage of the veteran in the process of defaulting on the loan.

The mortgage bankers have come up with some thoughtful recommendations. With regard to the credit underwriting; they see Fannie Mae, FHA, Ginnie Mae—all tightening up their standards, and have recommended that the VA do so as well.

What about the other end of the spectrum, at the 90-day point for commencing foreclosure. Could we make any changes in that area?

Mr. O'TOOLE. Mr. Principi, I think it is important to remember that most of that time period is really out of our control or the mortgage lender that is servicing that loan that is in difficulty. And we have accepted the recommendation of the MBA on a couple of those items, particularly to encourage the lender to foreclose in those cases where the property has been abandoned and there is no hope of saving that loan, to proceed. And if they do not proceed, we have told our offices to take the next necessary steps to cut off interest so our obligation terminates as quickly as possible.

The other issue about shortening the time period, and the notification of default and notice of intention to foreclose, I think it is important to note that in over 85 percent of those instances where the lender notifies us that the case is in default the loans are brought current. The veteran is able to work those cases out and bring those loans current.

Mr. PRINCIPI. But is that not the case where the veteran is only 30 days or less than 60 days in arrears?

Mr. O'TOOLE. No, most of the notices——

Mr. PRINCIPI [continuing]. Exceed 60 or 90 days, does not the percentage of cures drop precipitously?

Mr. O'TOOLE. Well, the first notice of default is when the account is 3 months past due. And in those instances, about 85 percent are cured.

So the purpose of the default reporting and the 30-day waiting period is so that the mortgage lender can be in contact with the veteran and work out those kinds of things, and it seems to be happening.

But there are some things that we can do, and we are as concerned about it as you are, and I think we are working with MBA and with our field people, and we are doing that.

Mr. PRINCIPI. Have you considered the feasibility, even on a pilot project basis of having the private sector in some region manage property and see if they can dispose of it more quickly than the VA? Not contracting out per se, because most of the property management is done by the private sector with regard to maintaining the property and selling the property by the realtor. Have you thought about contracting out on a general basis in some regions? Have any studies been done to see if that would be more cost effective, to see if these large property management corporations or relocation corporations can move this property quicker, and then cut the losses to the VA?

Mr. O'Toole. We certainly have—that is an idea that we have considered. We have not done any formal analysis of that.

Part of the reason is we feel we have done fairly well in moving the inventory that we have. We have obtained some assistance from some of the professional real estate people, in what they can do in the future to assist. But that is certainly something that we can consider.

Mr. Principi. Thank you.

The Chairman is considering a proposal to increase from $1,500 to $8,000 the estate level at which benefit payments are terminated for hospitalized incompetent veterans without dependents. It is my understanding that the $1,500 limitation has not been adjusted since 1946. I know that when I visited regional offices during the August recess the inequity between the $1,500 limitation for incompetents and competent veterans who are hospitalized was raised. Some adjustments were made last year.

It is my understanding that you do not support this proposal because you have the authority to waive the requirement if it would create a hardship. How does an incompetent veteran know about, learn about, and apply for a waiver? It just seems inconsistent.

Mr. Vogel. Well, anytime we are dealing with an incompetent or veteran adjudicated to be incompetent there is in fact somebody acting in a fiduciary capacity for him. They are advised of that, whether it is a guardian, whether it is a custodian, a court-appointed or a non-court-appointed fiduciary.

Mr. Principi. How many incompetent veterans have applied for a waiver, and how many have been granted?

Mr. Vogel. I do not have those figures, sir.

Mr. Principi. If you could furnish them for the record——

Mr. Vogel. Yes, sir, we will.

Mr. Principi [continuing]. If they are available——

Mr. Vogel. Yes, sir.

Mr. Principi [continuing]. We would appreciate it.

[Subsequently, the Veterans' Administration submitted the following information:]

The regional offices have never been given instructions to maintain that type of information. However, based on an informal survey of the adjudicators who handle these requests, we believe that about thirteen requests have been received since the waiver authority went into effect late in October 1984. Of those thirteen requests, eleven were granted.

Mr. Principi. The VA also proposes to eliminate benefits on behalf of children adopted outside the United States. As I understand it, the proposal is intended to eliminate any incentive for a fraudulent adoption.

What are the characteristics of a fraudulent adoption, as opposed to a legitimate one, and what is the basis for this proposal? Has there been a problem?

Mr. **Vogel**. Yes, we have in fact had a problem, especially in some foreign countries, where adoptions are made by elderly veterans of extended family members; the offspring of his grandchildren and his children, the case of a World War I veteran in his late eighties adopting three or four or five children late in his life, adopted from perhaps a nephew's family and so forth. We have had problems with that, especially in some foreign countries.

Mr. **Principi**. The Chairman will be introducing a broad-based compensation and veterans' benefits bill covering some of the issues we have discussed briefly this morning; extension and authorization of additional appropriations for EVJTA, changing EVJTA eligibility; major improvements, working with Mr. O'Toole, in the home loan program; the incompetent veterans issue; and a study to address the needs of native American veterans.

We hope to have that completed shortly, and would ask for your comments in an expeditious manner.

Thank you very, very much, and I again apologize for the Chairman's absence.

Mr. **Vogel**. That is quite all right. Thank you very, very much, Mr. Principi.

Mr. **Principi**. Our next panel will include Mr. Paul Egan, deputy director of the American Legion National Legislative Commission; Don Schwab, director of the National Legislative Service of the Veterans of Foreign Wars; John Heilman, national legislative director, Disabled American Veterans; Colonel Passamaneck, national legislative director from AMVETS; and Bob Moran, associate legislative director of the PVA.

Gentlemen, please.

[Pause.]

Mr. **Principi**. Good morning, Mr. Egan.

Mr. **Egan**. Thank you.

John and I have decided to split the duties of our summary. He will cover the issues relating to compensation, and I will cover those issues related to the home loan program.

If we do not touch on every single issue which is the subject of this hearing this morning, it is not because we placed those issues lesser on our list of priorities.

Mr. **Principi**. Thank you.

Good morning, Mr. Sommer.

STATEMENT OF JOHN F. SOMMER, JR., DEPUTY DIRECTOR, NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION, THE AMERICAN LEGION

Mr. **Sommer**. Good morning, Mr. Chief Counsel.

The American Legion certainly appreciates this opportunity to summarize our views on the proposals that are under consideration today. And as Paul mentioned, due to the time constraints and the number of issues being considered, we will only comment on a few of them.

Under the draft legislation submitted by the administration, we support the 4.1-percent increase in disability compensation and dependency and indemnity compensation. We have no objection to section 202 of the draft with respect to amending the definition of active duty for training if it will clarify the eligibility status of members of the National Guard for title 38 benefits.

We are not in favor of the amendment that would provide that a child adopted in a foreign jurisdiction could not be considered the legally adopted child of a veteran for the purposes of benefit eligibility unless the adoption occurred prior to the date of the veteran's entitlement to compensation or pension. We feel that innocent veterans who reside in foreign countries, many times because of their employment, would be precluded from drawing increased benefits based on the adoption of a child in the country in which they reside, and we feel that this would be an inequity.

We support the amendment of section 360 of title 38 to extend the principle of paired organ impairment to certain disabilities of the lungs for the purpose of total disability.

With respect to the proposal to increase the estate limitation for hospitalized incompetent veterans with no dependents, we support the increase from $1,500 to $8,000. The $1,500 limit was established 26 years ago, and there have been substantial increases in the costs of goods and services since that time.

We strongly support the intent of S. 1397, as we agree that the letters transmitted to the Committees on Veterans' Affairs by the Administrator did not include the information required by law with respect to an administrative reorganization within VA. Additionally, the American Legion is mandated to oppose the consolidation or centralization of VA regional offices.

The Legion is in favor of S. 962 to provide educational assistance for apprenticeship or OJT training under chapter 30, and S. 1207 that would provide equal benefits in certain cases to individuals enrolled in degree programs and those enrolled in nondegree programs offered by accredited institutions that offer both.

We also strongly endorse S. 1477 that would increase the burial plot allowance for veterans from $150 to $250.

With that, I will turn it over to Paul Egan to touch on the home loan provisions.

Mr. **Principi**. Just one quick question.

Does the American Legion support the use of upright grave markers?

Mr. **Sommer**. We are mandated to support the use of flat markers in all national cemeteries, with two exceptions, and those are Fort Snelling National Cemetery in Minnesota, and the Black Hills National Cemetery in South Dakota.

The purpose of the mandate, or the reasoning behind the mandate, is the fact that the flat markers allow additional burials per acre in the national cemeteries, and with the high usage of the national cemeteries that is taking place now, we feel that this is prudent.

The reason for the two exceptions, of course, is the fact that these areas are covered by snow and ice for about 4 months out of the year, which makes it difficult for the relatives of the deceased to locate their graves.

Mr. **Steinberg**. I am interested in the rationale for your exception, and wonder if those are the only two cemeteries in the northern part of the United States that are still open for interments where there are severe winter conditions.

Mr. SOMMER. This exception results from a recommendation by the American Legion's National Cemetery Committee, which is part of our Veterans Affairs and Rehabilitation Commission, following its study of the issue. We were originally mandated through a resolution approved by our national executive committee in May of 1984 to support the total use of flat headstones.

Then during the interim period between 1984 and the spring of 1985, our national cemetery committee met and made the recommendation that, after studying the issue, that those two exceptions be made. Therefore, they proposed a resolution that was approved by our commission and then approved by the national executive committee in May of this year.

Mr. STEINBERG. Could—I do not know if Mr. Hamerschlag is still here, but for the record, could you comment on that idea? Not today, but if you would submit a written response on your views on such an exception for the two cemeteries that the Legion recommended and whether or not there are other open cemeteries to which the same rationale would apply, if it were applied.

Thank you.

Thank you, Tony.

[Subsequently, the Veterans' Administration submitted the following information:]

NATIONAL CEMETERY GRAVE MARKERS IN THE NORTHERN UNITED STATES

The Veterans' Administration uses either flat or upright marker styles in national cemeteries located in the northern United States, and in some cases both styles are present. At Bourne, Massachusetts; Calverton, New York; and Indiantown Gap, Pennsylvania, for example, only flat markers are used, with excellent acceptance by the local community. Ft. Custer, Michigan, has a few upright markers in the old post section of the cemetery, but uses all flats in the new sections opened since this became a national cemetery in 1984.

Opposition to flat markers has come mainly from cemeteries such as Ft. Snelling, Minnesota, which had traditionally used the upright stones, but were changed to a flat style since a new policy went into effect in 1982. In addition to VA's previous practice of starting all new national cemeteries with flat markers, the new policy prescribed that even cemeteries currently using uprights would convert to the flat style as new burial sections came into use. There are many advantages to the flat markers, but basically they allow better land use, which means that in many cases cemeteries will last longer and bury more veterans; they cost less; and they permit more effective grounds maintenance. They are the overwhelming trend in the private sector, and have been endorsed by VA's Advisory Committee on Cemeteries and Memorials as honorable and fitting for use in national cemeteries.

One of the concerns raised at Ft. Snelling (and elsewhere) has been that during the winter months flat markers are covered with snow for extended periods of time, and families visiting the cemetery are unable to identify the graves of their loved ones. At the time Ft. Snelling converted to the flat markers, VA officials checked informally with three private cemeteries in the Minneapolis area to inquire about their experience with flat markers, especially in relation to severe weather conditions. All three reported that they used flat markers in at least some sections, and had experienced no problems. We also noted that the Catholic Cemetery System of Chicago, which is the largest cemetery system in the country after our own, allows only flat markers in their cemeteries. In fact, they had completed a project a few years previously to reset a large number of upright stones flush with the ground in order to improve maintenance efficiency.

Flat markers are contributing significanly to operating effectiveness in the National Cemetery System at locations like Calverton, New York, and Riverside, California, which have always used the flats and have a high interment rate. Better land use means that many national cemeteries will remain open longer, and that more veterans can be served. Average cost for an upright marble marker is $88, compared to $34 for a flat granite or $37 for a flat bronze. A recent study of employee productivity at national cemeteries showed a 17% improvement from 1977 to

1984; flat markers were cited as a contributing factor. Flat markers have, in general, been a successful initiative to meet future demands on the system and to provide service to as many veterans as possible in a cost effective manner.

The Department of Memorial Affairs recognizes that we have a responsibility to operate national cemeteries with compassion and sensitivity to aesthetic community values, as well as with concern for operational efficiency. At cemeteries which have traditionally used uprights, we are reviewing each location on an individual basis to determine if circumstances warrant continuing the uprights. Black Hills, South Dakota and Ft. Bayard, New Mexico, for example, have already been identified as cemeteries which traditionally have used upright markers, and which have ample land to meet future burial needs. We plan to continue upright markers at those cemeteries and potentially at other locations as well.

At new national cemeteries and at the many cemeteries, both old and new, where flat markers have always been used, flat markers are well accepted and should be continued. To mandate uprights, or to mandate development of dual sections for both flats and uprights, would disrupt our busiest and most efficient operations, and we do not recommend such a course of action.

Mr. Principi. Yes.

One further question, Mr. Sommer. You mentioned in your comments your support for the veteran status for members of the Guard and Reserve. It is my understanding that veterans who are assigned to operational active duty for training with the Guard and Reserve are not subject to deployment overseas, and cannot be reassigned unless their unit deploys.

I know for a fact that they are not subject to the Federal Uniform Code of Military Justice. Do you think that granting of veteran status to these individuals would dilute the concept of what it means to be a veteran?

Mr. Sommer. Not based on our understanding of what is included in this proposal. It is our understanding that these are individuals that called up for lengthy periods of time for active duty, and are not actually in training but are instead on operational status.

Mr. Principi. Well, if they are not, and they are not subject to the Code, and they cannot be deployed overseas unless the unit actually is deployed, would you then consider changing your position?

Mr. Sommer. We would have to look at that closely.

Mr. Principi. Thank you.

Mr. Schwab.

I am sorry. Mr. Egan.

STATEMENT OF PAUL S. EGAN, DEPUTY DIRECTOR, NATIONAL LEGISLATIVE COMMISSION, THE AMERICAN LEGION

Mr. Egan. Are we going to turn the clock back here for that last exchange of questions?

Beginning with S. 9, we support that portion of the legislation which would increase the residential home loan guaranty from $27,500 to $35,000. We think it is important that the program is kept up to date, and is adjusted along with inflation.

Our views on adjustable rate mortgages were made fairly clear on May 1. We do support the mobile home guaranty increase; however, we support that with some reservations, given the ongoing VA-IG investigation of apparent fraud in the mobile home industry. We have some questions as to whether or not the comparative size of the guaranty for manufactured housing by contrast with that for residential housing might have artifically allowed the cost of manufactured housing to be overly high.

Therefore, we would ask that this committee look at that subject closely before making any adjustment in that particular guaranty.

Going to the administration proposal which calls for increasing the user fee to 5 percent, we do not think that is appropriate. We have said that before, and we will say it again. Five percent is just an outrageous adjustment in that fee. It constitutes nothing more, in our judgment, than a tax. The veteran who pays that user fee gets absolute nothing in exchange for it; even if it were a 3.8-percent fee, as is the case with FHA, the contrast there is that the FHA buyer gets mortgage insurance which actually constitutes about 100 percent indemnification.

You expressed some concern earlier about the length of time that a veteran might be in default, that this extended period might make it impossible for that individual to recover in order to prevent a foreclosure. We suggested, again, on May 1 before this committee that if the user fee is to be imposed, it ought to be applied to short-term mortgage insurance against economic reversal. This suggestion might address the problem of those several months of default that seem to create a situation in which the veteran digs himself in deeper and deeper into a hole out of which he cannot recover.

The negotiated interest rate proposal, we think, misunderstands the fact that the veteran is not going to be able to negotiate with a banker on an equal footing. We believe that the veteran, if required to negotiate interest rates, will simply pay what the banker wants or he will not get the loan at all.

On the proposal to authorize appropriations to the loan guaranty revolving fund, we think that is necessary. It has obviously become necessary given the high foreclosure rate. However, in the letter accompanying the administration's proposal in that regard, no mention is made of the fact that the Reconciliation Act of 1981, which required the VA to sell off much of its income-generating portfolio of home loans, has created the shortfall. And we think, as we suggested, again, on May 1, that VA should be permitted—indeed, required—to aggressively rebuild that portfolio of home loans.

Another of the proposals would repeal the requirement that VA inspect manufactured housing. Again, in view of the ongoing investigation and the possibilities of fraud in that industry, we think that is particularly inappropriate.

With regard to the MBA task force report, there are several findings and recommendations in that report that we agree with. We have said, again, in the past, and we say again today, that this program is doing no favor to the veteran if he is being qualified for a mortgage that he cannot possibly afford.

Thank you.

[The prepared statement of Mr. Sommer and Mr. Egan appears on p. 44.]

Chairman MURKOWSKI. Mr. Schwab.

STATEMENT OF DONALD H. SCHWAB, DIRECTOR, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. SCHWAB. Thank you, Mr. Chairman.

We are covering a great deal of ground here this morning, and not to be redundant, I am going to touch on just some salient points.

The compensation DIC increase; of course, the Administration last January recommended 4.1 percent. It has been pretty well established that the CPI will increase somewhere between 3.4 and 3.7 percent, and whatever the CPI indicates is what the disabled veteran should receive. There is no question about that, and that is what we support.

S. 1207, introduced by the Honorable Strom Thurmond, would amend 38 U.S.C. 1780(a) and 1788(a) to provide equal benefits with respect to course load measurement, attendance monitoring, and pay periods for veterans enrolled in courses leading to a standard college degree and vocational courses not leading to such a degree in accredited institutions offering such a career choice.

Our VFW resolution No. 604, passed by the voting delegates to our most recent convention, addresses and supports Senator Thurmond's bill.

Mr. Chairman, the administration's draft bill entitled Veterans Housing Amendments Act of 1985 would repeal the authority of the Administrator to set maximum interest rates on VA-guaranteed home loans and manufactured home loans; authorize negotiated interest rates; increase the user's fee from 1 percent to 5 percent, or retain the one percent user's fee provided the veteran makes a cash payment of at least 5 percent of the purchase price and obtains private mortgage insurance; eliminates the September 30, 1987, sunset on the user's fee.

We are strongly against repealing the Veterans' Administration's current authority to establish loan interest rates, and to authorize instead negotiated interest rates. By so doing, the Administration would subject veterans to imperfect competition, since nearly all young people including veterans are neophytes in the world of financial manipulation.

Expounding further on the user's fee, holding it at 1 percent if at least a 5 percent down payment is made and private mortgage insurance is obtained, the value of the Veterans' program would be diminished. The VFW opposes the Administration's draft bill in toto.

Going on, Mr. Chairman, section 201 of the administration's draft education bill would repeal the authority of the Veterans Administration to make educational loans, including accelerated payments. The VFW opposes the total elimination of educational loans and accelerated payments to veterans and other eligible persons. To foreclose these avenues of assistance could preclude deserving veterans from availing themselves of an earned benefit.

Mr. Chairman, that concludes my summary, and I will be happy to respond to any questions.

[The prepared statement of Mr. Schwab appears on p. 82.]

Chairman MURKOWSKI. Thank you very much, Mr. Schwab.

Our next witness is Mr. Heilman, National Legislative Director, Disabled American Veterans.

Good morning.

STATEMENT OF JOHN F. HEILMAN, NATIONAL LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERANS

Mr. HEILMAN. Yes, sir, good morning, Mr. Chairman, counsels Principi and Steinberg.

I will also summarize my statement this morning and deal with issues of concern to the DAV.

With respect to the administration's compensation bill, we all obviously support a COLA adjustment in compensation and DIC, and whatever the CPI indicates is the appropriate increase would be fine with the DAV. I do want to note that in the administration's bill, I am sure for cost-saving reasons, they propose to round down the percentage rate of increase to the lowest dollar. We prefer the longstanding approach taken by this committee and the Congress in that the percentage rate of increase be rounded either up or down, as appropriate, to the nearest whole dollar.

I also would like to point out to you, Mr. Chairman, one provision of the administration's bill, which deals with their proposed amendment of section 360 to add disabilities of the lungs to that section of law which deals with paired organ involvement and functional loss. I would draw your attention, sir, to the fact that we suggest section 360 also be amended to include the loss or loss of use of paired extremities. I will not go into detail as to why we feel this is necessary, sir, but I feel it certainly merits your attention.

The veterans we are talking about here who have incurred the loss or loss of use of an upper or a lower extremity and subsequently have incurred the loss of the paired extremity, the majority of them, who are now drawing some compensation for this under current law, are combat veterans. Their original loss was due to a combat-related disability.

I also mention, Mr. Chairman, though not on your agenda today, our thoughts and feelings with reference to S. 85, a bill that was introduced by a distinguished member of your committee, Senator DeConcini, which deals with reform of the current rank-based formula that governs payments under dependency and indemnity compensation. We realize that this is a fundamental program change and would require a substantial amount of dollars, and certainly the Congress is not going to underscore our strong feelings about a change in the DIC formula.

S. 965 and S. 1602 both deal with a slight change of law relative to the special adapted housing grant contained in section 801(b). That is the smaller grant of $6,000 that applies to service-connected blinded veterans and veterans who have incurred the loss of both upper extremities, and would simply allow reimbursement for modifications of homes, domiciles purchased, that have these modifications already in place. We support this goal.

S. 966 concerns the subject of mortgage protection life insurance and would extend it to veterans 80 percent or more service-connected disabled. For a number of years, we have had a mandate dealing with such a liberalization that would apply to the totally disabled service-connected veteran. Obviously the objective in this bill and our mandate are very similar, and we would urge favorable consideration.

We also draw your attention to one matter relating to the current mortgage protection life insurance program, and that is in the criteria as to when this coverage shall cease. Current law, among other things, states that when a covered veteran reaches age 70, the mortgage protection life insurance will cease.

We believe this age factor should not apply, and we would ask that you give consideration to its removal.

Chairman MURKOWSKI. Do you know how much that is going to cost?

Mr. HEILMAN. No, sir.

Chairman MURKOWSKI. Well, we would appreciate it if you could find out. The record will be open.

Mr. HEILMAN. All right, sir.[1]

Legislation with regard to the estate limitation of incompetent institutionalized veterans—to my knowledge the current $1,500 limitation is not a problem. And I say that meaning we have not received any input from our national service officers out in the field. But if it is a problem, certainly the present limitation should be raised, whether it is $8,000 or some figure in between.

You have several bills on your agenda with respect to the national cemetery system, a House-passed bill, also two Senate bills that deal with, No. 1, orderly expansion of the system and authorizing both upright and flat markers in the national cemetery system. We feel that veterans should have a choice. This legislation would provide such a choice and we favor its enactment into law.

And finally, sir, with respect to S. 1397, introduced by Senator Cranston, legislation that really was necessitated by the administration's proposal to consolidate VA regional offices, we support the bill. We think that it is necessary, because consolidation of VA RO's is just a totally bad idea. Nevertheless, VA—and of course, we realize that it is because of OMB persistence—is proceeding on the assumption that they are going to consolidate. They sent the Veterans Committees inadequate justifications as to their consolidation plans, and hence Senator Cranston's introduction of 1397. We support the measure.

And finally, with respect to the issue of collocation, we are favorably disposed to collocation whenever it is feasible and practical. We would simply ask that when you consider putting a VARO on medical center grounds, that cost savings not be the sole criteria. Delivery of services should certainly be right up there, and if there is no adverse impact on that and the overall administration of benefits, then we have no objection to collocation.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Heilman appears on p. 104.]

Chairman MURKOWSKI. Thank you very much. Our next witness is Colonel Passamaneck. Good morning.

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[1] See p. 136.

STATEMENT OF LT. COL. DAVID J. PASSAMANECK, U.S. ARMY (RET.), NATIONAL LEGISLATIVE DIRECTOR, AMVETS

Colonel PASSAMANECK. Good morning, sir.

Thank you, Mr. Chairman.

AMVETS is pleased to present its views on the bills and other matters enumerated in your invitational letter of September 11.

Because of the multiplicity of the items on the agenda, I will discuss only those proposals with which we do not agree, and ask that our prepared statement be included in the report of these proceedings.

Chairman MURKOWSKI. It will be entered in the record as if read.

Colonel PASSAMANECK. Thank you, sir.

We respectfully demur from that portion of S. 9, introduced by the distinguished ranking minority member of this committee, which authorizes the guaranty of variable rate mortgages. Although variable-rate mortgages did capture the imagination of a segment of the mortgage banking business when interest rates were soaring some years ago, it appears that the revenue and fiscal policies of the current administration have at least leveled interest rates, if not nudged them downward. It does not therefore appear to be necessary to subject the veteran buyer to the risks of increasing indebtedness and payments, most of which may well become due in the veteran's senior years when his or her earning capacity is expected to be lowered.

There is a strong probability that if guaranteed variable-rate loans are available, they will soon drive fixed-rate loans out of the market to the detriment of the veteran.

Although AMVETS supports the intent of the upright marker option as a minimal provision of dignity to deceased veterans, we do not agree with the unrealistic effective dates for this proposal. As currently written, the bills would also require setting aside upright or flat sections in closed cemeteries, an obviously impractical requirement. We would therefore recommend amending both S. 769 and section 3 of H.R. 2344 so as to make the effective date January 1, 1988, instead of January 1, 1986.

H.R. 2344 also directs the establishment of a VA cemetery on the Romero Ranch in Merced County, CA, if 350 acres for the purpose are donated. We would prefer that specific plans for the establishment of cemeteries emanate from the VA and reserve judgment on this provision until such a proposal is incorporated in the overall plans for the Department of Memorial Affairs required to be submitted to Congress by section 2 of H.R. 2344 and S. 622.

Although AMVETS strongly supports diligent oversight by the Veterans' Affairs Committees, under the Constitution the executive responsibility belongs to the VA.

Regarding the administration's proposed Veterans Housing Amendments Act of 1985, and consistent with our support of portions of H.R. 2344, AMVETS opposes the proposed increase in the loan origination fee, which we believe will effectively eliminate the no-down-payment mortgage. When we first opposed this Grace Commission scheme, we pointed out that the loan guaranty program was meant to be an entitlement earned by veterans, and not subject to the profit-and-loss criteria of the private mortgage market. We reiterate that position.

Rather than saddle the veteran with the cost of maintaining the loan guaranty revolving fund by increasing the initiation fee, we favor the enactment of section 4 of the draft bill to authorize direct appropriations to the LGRF, and the use of direct appropriations where necessary.

The VA draft bill entitled "The Veterans Disability Compensation Survivor Benefits Amendments of 1985" provides for an increase in compensation and DIC of 4.1 percent. H.R. 1538, reported favorably by the House Committee on Veterans Affairs on September 11, 1985, proposes a 3.7-percent increase. We can accept the House bill as a realistic approach this year.

You requested in your invitation, Mr. Chairman, that we comment on a number of items, nonlegislative items, including the report of the Mortgage Bankers Association. In our view, the report of the Mortgage Bankers Association continues the theme of the Grace Commission which would require the loan guaranty program, if not the entire VA entitlement structure, to meet the efficiency and fiscal criteria of a profit-making enterprise, completely ignoring the gratuitous foundation on which VA programs are based.

From a private market point of view, their recommendations appear to have merit. As a prescription for a benefit program for veterans who have earned what they are receiving and more, it is a callous rejection of the sacrifices of everyone who has served the colors.

Thank you, sir. I am prepared to answer questions, if any.

[The prepared statement of Colonel Passamaneck appears on p. 137.]

Chairman MURKOWSKI. Thank you very much, Colonel. Mr. Bob Moran.

STATEMENT OF BOB MORAN, ASSOCIATE LEGISLATIVE DIRECTOR, PARALYZED VETERANS OF AMERICA

Mr. MORAN. Thank you, Mr. Chairman.

I will summarize from my written testimony.

In regard to S. 9, section 6 of 2344, and the administration's proposal, regarding VA's home loan guaranty program, the VA home loan guaranty program in the past 18 months has endured some of the most trying times of its 41 year history. Mr. O'Toole and his staff have instituted some innovative management practices that have resulted in a positive attitude and trend within the VA home loan service. We feel confident that the VA home loan guaranty program with its renewed vitality can do well in meeting the rigorous demands that continue to menace the future of the American housing market.

In regards to the user's fee within the VA home loan guaranty program, PVA is opposed to any such increase. We feel that an increase, whether it be twofold, fivefold, would if enacted have a serious detrimental effect on the ability of the veterans to obtain VA-guaranteed loans and thereby discourage veteran home ownership.

PVA supports the provision contained within S. 9 to increase the maximum amounts of the VA loan guaranties, and commends the ranking minority member, Senator Cranston, for recognizing the escalating costs associated with housing today. We believe the current VA home loan guaranty program has served and will continue to serve veterans well.

Now concerning special adapted housing, S. 1602 and section 5 contained within H.R. 2344, PVA supports 1602 and commends you, Mr. Chairman, Senators Specter and Rockefeller, for recognizing the inequity that existed in the VA's housing program that provides assistance to certain disabled veterans in acquiring special adapted housing. Frequently an already modified house may meet many of the veteran's needs, and it is the modifications that make these homes appropriate residences for disabled veterans.

This legislation, S. 1602, removes the inequity that exists and allows eligible veterans the opportunity to receive the $6,000 assistance in acquiring these residences that have already been specially adapted. PVA has emphasized and testified before to the importance for providing disabled veterans with the opportunities to restore their lives to one of independence and dignity to the fullest extent possible.

Equally important to PVA members is veterans' mortgage life insurance, as in S. 966. VMLI provides mortgage insurance for the more severely disabled veterans who would not otherwise be able to obtain coverage because of their medical condition. This strict criteria for veterans to obtain VMLI limits the eligibility to a relatively small number of veterans, less than 6,000 nationwide.

However, we believe that before creating a new group of veterans for entitlement within the VMLI program, those already within the program should be adequately provided for. The following illustration shows that a veteran who buys a special adapted house utilizing the maximum amount of VA grant, will not be adequately protected by VMLI upon his death. Whereas today's housing costs on the average of over $101,000, utilizing the VA grant of $35,500 the total mortgage would be $66,400. The VMLI protection of $40,000 leaves the veteran with an unprotected mortgage of $26,400.

In light of this example, PVA advocates that VMLI coverage should be increased to those already covered to more accurately reflect the increased amount of mortgage which is likely to remain after the veteran's death.

And in regards to S. 1397 and the administration's proposal, PVA highly recommends as an alternative to consolidation a proposal to collocate certain Veterans Administration regional offices with Veterans Administration medical centers. This approach to collocate would prove to be much more cost effective than consolidation.

Section 4 of S. 1397 regarding the Veterans Administration prosthetic center, PVA would like to compliment Senators Cranston, Matsunaga, and DeConcini for the provision contained within this legislation, and the VA for their efforts to reorganize the prosthetic research program to a new center in Washington, DC.

And finally, Mr. Chairman, ending on a positive note, PVA supports the proposed increase in the rates of veterans' disability comp and DIC. Compensation is for many of PVA's members extremely important, because for many catastrophically disabled veterans, it remains their primary source of income.

This concludes my statement. Thank you.

[The prepared statement of Mr. Moran appears on p. 142.]

OPENING STATEMENT OF CHAIRMAN MURKOWSKI

Chairman **Murkowski**. Thank you very much, gentlemen.

I want to apologize for not having been with you earlier. We had a Republican caucus this morning that started around 8:30 relative to the deficit and the debt limitation which is going to be before us very shortly. The reality of a $2 trillion debt that has doubled in the last 4½ years dictates that indeed we are in a crisis.

As far as what we are going to do about it; you can either read the Washington Post and take that for what it is worth, or reflect on it the next few days. I am pleased to say that there is a workable alternative proposal which I can support.

That is not why we are here today, but I did want to explain my absence.

Let me share with you a couple of observations. First of all, in the current climate, it is going to be very hard to initiate any new programs that are conceived, in effect, as entitlement programs. I do not think that is what has been presented here today, although there are a couple of them that might approach it.

A good deal of your testimony focused on the veterans' mortgage program. It is the intention of the chairman, and I want to give you this assurance, that I will review the program with the VA and with the help of the mortgage bankers and the oversight and participation of the veterans' organizations represented here. I am quite convinced that we can have a more responsive program at no additional cost with no change in basic veterans' requirements for admission into the program. We can do this by tightening up some of the underwriting standards, by changing foreclosure processing within the VA and by centralizing and formulating a clearly defined policy within the VA for moving those foreclosures. There is just too much cost associated with the resale.

I not only think can we learn from some of the recommendations that are coming in, but also by talking to some of the realtors. They do not push foreclosed VA housing simply because the incentive is not there. Well, if the incentive is not there, we had better take a look at it to make sure there is an incentive. To have substantial housing unoccupied is not in the best interests of the veteran looking for housing, nor with the VA, because somebody has got to carry those costs.

So I want to assure you that as we examine this program, it will not be with the intent of making the terms any more difficult, or the admission requirements any more difficult. We want a better program, and I think we can have a better program.

I very much appreciate the testimony of those of you here today. I look at my schedule now, and I am somewhat struck with the Intelligence Committee meeting that I am going to have to go to. For those of you who wonder what is going on in the real world, the title of the briefing is "Chemical, Biological, and Radiological Terrorism."

I guess I did not know that was about to impart upon our world today, but evidently our intelligence groups are preparing us for the worst, and that certainly sounds like the worst.

Do you have anything, Mr. Chief Counsel?

Mr. PRINCIPI. No, sir.

Chairman MURKOWSKI. Thank you very much, gentlemen. I wish you a good day.

[Whereupon, at 10:10 a.m., the committee was adjourned.]

APPENDIX

PREPARED STATEMENT OF CHAIRMAN MURKOWSKI

Good morning and welcome to the hearing of the Committee on Veterans' Affairs. This morning we will receive testimony from the Veterans' Administration and veterans' service organizations on a cost-of-living adjustment for compensation benefits to our Nation's service-connected disabled veterans, their survivors and dependents, and on other veterans' benefits legislation pending before our Committee.

As I am sure you all remember, cost-of-living adjustments became a major issue when the Congress began consideration of the First Concurrent Resolution on the Fiscal Year 1986 Budget. Veterans expressed a willingness to forgo such an adjustment in an effort to reduce the deficit and asked only that the burden of a freeze be applied uniformly across all segments of our population. An across the board freeze was not adopted and I am grateful that our Nation's most deserving group will receive a COLA this fiscal year.

At the time of our deliberations on the budget, it appeared that a 4.1 percent COLA would be needed to offset the effect of inflation. Revised economic projections indicate a somewhat lower increase of between 3.4 percent and 3.7 percent. Last week this Committee agreed to limit an increase to 3.7 percent as part of the package needed to meet our obligations for budget reconciliation. This action will enable us to meet our commitment to provide a comparable COLA for our Nation's veterans and at the same time meet the mandate of the First Concurrent Resolution.

I would appreciate your comments on the position that we have taken in this regard.

In addition to the proposed COLA, the Committee wishes to receive your comments and recommendations on the myriad of bills and proposals which have been pending before the Committee for quite some time. In the short time allowed - 5 minutes, I do not expect you to testify on each and every item, however, I would ask that you focus your comments on those legislative matters which are of utmost concern to the Veterans' Administration and your respective service organizations. This hearing is meant to provide a public record and ensure consideration by the members and staff of many issues.

Witnesses should take the oral presentation as an opportunity to headline - and underline - where the Committee should focus its greatest attention. Your complete written statement will, of course, be made a part of the record. And, more importantly, will be read and considered as we mark-up a Committee veterans' benefits bill later this month.

I have been informed that there is an important briefing for Intelligence Committee Members at 9:30 today. That presents an unfortunate situation where I will have to leave before the service organizations present their views. I just want to assure you all that the staff will brief me thoroughly on the remainder of the hearing.

I now recognize my distinguished colleague the Committee's Ranking Minority Member, Senator Cranston, for his opening statement.

PREPARED STATEMENT OF HON. STROM THURMOND, A U.S. SENATOR FROM THE STATE OF SOUTH CAROLINA

MR. CHAIRMAN:

I WANT TO WELCOME THE DISTINGUISHED WITNESSES WHO HAVE COME TO TESTIFY THIS MORNING ON THE FAR REACHING SUBJECT OF VETERANS' COMPENSATION. I REGRET THAT I WILL NOT BE ABLE TO REMAIN FOR THE ENTIRE HEARING, BUT I DO LOOK FORWARD TO REVIEWING YOUR TESTIMONY. I WOULD ALSO LIKE TO WELCOME MR. JACK DAVIS OF THE FAMED "LITTLE BITTY COMMITTEE", WHICH REPRESENTS THE INTERESTS OF OUR NATION'S TECHNICAL COLLEGES AND NON-DEGREE VOCATIONAL PROGRAMS.

WHILE I AM ON THE SUBJECT, LET ME ONCE AGAIN STRESS THE IMPORTANCE OF ELIMINATING THE INEQUITABLE SITUATION WHICH EXITS WITH RESPECT TO VA EDUCATIONAL BENEFIT PAYMENTS FOR NON-DEGREE VOCATIONAL PROGRAMS. THE TRADITIONALLY RECOGNIZED DISTINCTION BETWEEN COLLEGE DEGREE COURSES AND VOCATIONAL COURSES HAS BEEN THE OUTSIDE PREPARATION REQUIRED FOR COLLEGE DEGREE COURSES. VOCATIONAL PROGRAMS TODAY ARE MORE ACADEMICALLY ORIENTED THAN THEY HAVE BEEN IN THE PAST. CLASSROOM INSTRUCTION, AND THEREFORE OUTSIDE PREPARATION, IS NOW AN INTEGRAL PART OF VOCATIONAL PROGRAMS; THUS, THE MAJOR DISTINCTION BETWEEN THOSE TWO TYPES OF EDUCATION HAS BEEN DELINEATED. I STRONGLY URGE THE COMMITTEE TO FAVORABLY CONSIDER S. 1207, A BILL I INTRODUCED, TO ENSURE THAT VETERANS SEEKING VOCATIONAL EDUCATION RECEIVE VA BENEFITS COMPUTED ON THE SAME BASIS AS THOSE ENROLLED IN COLLEGE DEGREE PROGRAMS.

MR. CHAIRMAN, THERE ARE MANY ISSUES FACING THIS COMMITTEE WITH RESPECT TO VETERANS' BENEFITS OUTSIDE THE REALM OF HEALTH care. There is also great pressure on this committee to do its part in reducing the Federal deficit. Those two facts need not be in total opposition to each other. I believe that we can continue to provide our veterans with the programs that they need and have earned through their service to their Country, and at the same time spend our limited resources wisely.

Much attention has been given lately to the VA Home Loan Guaranty program. At the present time, this program is experiencing an unacceptable annual deficit. The purpose of the program is a noble one, and should not be altered. The administration of the program, however, is an area where the Veterans Administration and the Congress can make meaningful improvements and achieve significant savings without inhibiting the benefit to the veteran.

As a member of the Senate and a member of this committee, I will continue to enthusiastically support this Nation's veterans in a fiscally responsible manner.

STATEMENT OF
R.J. VOGEL
CHIEF BENEFITS DIRECTOR
VETERANS ADMINISTRATION
BEFORE THE
SENATE COMMITTEE ON VETERANS' AFFAIRS

October 3, 1985

Mr. Chairman and Members of the Committee:

I am pleased to be here this morning to discuss legislation of concern to the Committee and the Veterans Administration.

Disability Compensation/DIC Cost-of-Living Increase

The centerpiece of VA's proposed compensation bill, introduced in the House as H.R. 2181, is a cost-of-living increase in the rates of disability compensation, dependency and indemnity compensation, and the clothing allowance. We strongly support this measure in order to help offset the erosion of purchasing power caused by increases in consumer prices. When the details of our proposal were transmitted to the President of the Senate on March 19, VA recommended a 4.1% COLA based on projected adjustments to social security rates. Since that time, however, the estimate for the December 1 social security COLA has been revised downward. We recommend that the COLA applied to disability compensation and DIC rates equal the COLA rate eventually extended to social security and VA pension recipients, to take effect at the same time.

The remainder of VA's proposal contains measures to amend certain eligibility requirements, and to extend the authority of the Administrator to maintain a regional office in the Republic of the Philippines.

First, we would amend the law pertaining to the effective date for a reduction or discontinuance of benefits that are based on school attendance of a payee or payee's dependent. Under our proposal, the effective date for reduction or discontinuance would be the day following the last date of attendance, rather than the end of the month as current law provides.

Second, VA proposes to amend section 101(22) of title 38, relating to the definition of "active duty for training," in order to permit the full-time operational duty performed by National Guard and Air National Guard members to be considered "active duty" for benefit-eligibility purposes. Primarily, our measure would assist Active Guard/Reserve status and Active Duty/Support guard members who serve for 181 days or more to qualify for loan guaranty and health care benefits on an equal footing with other veterans of full-time, non-training duty.

Third, VA proposes to amend the criteria for recognition of foreign adoptions, by providing that an adoptee could not be considered the legally adopted child of a veteran for benefit purposes unless the adoption occurred prior to the date on which the veteran's entitlement to compensation or pension arose.

Fourth, we propose to amend section 360 of title 38 to extend the principle of "paired organ impairment" to certain disabilities of the lungs, so that if the veteran has suffered service-connected disability of one lung, which is totally disabling in combination with a nonservice-connected disability of the other lung, compensation would be paid at the total disability rate. Thus, this measure would afford special consideration to lung disabilities, akin to the consideration given paired eye, ear, and kidney disabilities under current law.

Finally, VA proposes to extend until September 30, 1988, the authority of the Administrator to maintain a regional office in the Philippines. This measure, which was passed by the Senate and included in H.R. 505 as a floor amendment, would entail an estimated expenditure of $1.4 million during each of the next three fiscal years.

Increase in Estate Limit

You asked us to comment on a proposal to increase the estate limitation applicable to incompetent veterans without dependents and who are hospitalized at public expense. Compensation or pension payments are withheld if the estate limitation is exceeded. The limit is currently $1,500, and the proposal is to increase it to $8,000. Last year, legislation was enacted to exclude the value of the veteran's home in computing the value of the estate and to authorize temporary waivers (not exceeding 60 days annually) in hardship cases. In view of these liberalizations, we suggest the proposal is unnecessary.

Educational Program Improvements

Mr. Chairman, I would next like to urge the Committee's favorable consideration of the VA's legislative recommendations relating to the provision of educational benefits to veterans and other eligible persons. On May 8, 1985, we transmitted to the President of the Senate a draft bill entitled the "Veterans' Educational

Assistance Improvements Act of 1985." Title I of this draft measure contains a number of changes in our education programs; title II repeals the Agency's authority to make education loans to veterans and other eligible persons; and title III contains a savings provision relating to the repeal of the education loan program. Each of our recommended changes is fully discussed in the section-by-section analysis which accompanied our letter of transmittal to the President of the Senate.

Other Educational Program Bills

I would also like to briefly mention S. 1207 and S. 1509, both of which would make amendments to our education programs.

S. 1207 would amend certain provisions of title 38 relating to the pursuit and measurement of noncollege degree (NCD) courses. Its purpose, apparently, is to establish parity of benefits between veterans pursuing certain NCD courses and others pursuing college degree courses. In our view, the amendments proposed in this bill are overly broad and, based upon our experience, unjustified. Thus, we oppose enactment. Alternatively, we recommend enactment of our legislative proposal in this area, which is embodied in section 112 of our draft bill entitled "Veterans' Educational Assistance Improvements Act of 1985."

S. 1509 would amend chapter 30 to permit training thereunder by correspondence and bring the chapter 30 program within the jurisdiction of the Administrator's educational assistance advisory committee. While we favor the proposed amendments with respect to the advisory committee, we cannot support provisions authorizing correspondence training. Accordingly, we oppose enactment of S. 1509.

Draft Veterans' Housing Amendments Act of 1985

The VA prepared and submitted to the Congress on March 29, 1985, a number of proposals for amending the VA home loan program.

These proposals include:

-- Repealing the authority of the VA to set a maximum interest rate on VA guaranteed loans. Loans would bear interest at the rate agreed upon by the veteran and the lender. This proposal is consistent with the Administration's goal of reducing Federal regulation and permitting market forces to operate.

-- Increasing the VA loan fee from the current 1 percent to 5 percent of the loan amount. In the case of vendee loans, the borrower would have the option of either paying a 5 percent fee, or paying a 1 percent fee if, in addition, the borrower made a 5 percent cash down payment and obtained private mortgage insurance.

-- Eliminating the September 30, 1987, sunset for the loan fee. Therefore, collection of the fee would be made permanent. The two proposals related to the loan fee are made in view of the anticipated shortfalls in the Loan Guaranty Revolving Fund. The Loan Guaranty Service has recently implemented a number of changes that, among other things, have facilitated faster disposition of acquired property, thus reducing property management costs and more rapidly replenishing the resources of the fund. We will be continuing to search for other ways to minimize the cost of the program. However, the Administration continues to favor enactment of a loan fee sufficient to cover shortfalls.

-- Authorizing direct appropriations to the Loan Guaranty Revolving Fund. This is a technical correction to title 38, United States Code.

Contracts for Services or Supplies--Loan Guaranty

From time to time loan guaranty operations necessitate contracts for services or supplies. Current law--section 1820(b) of title

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38--requires us to advertise for bids if the contract amount exceeds $1,000. The Administration favors increasing this ceiling to $25,000 and has provided full justification in its May 2, 1985, letter to the Congress.

S. 965 and S. 1602--Specially Adapted Housing Grants

These similar bills would authorize VA to provide special grants to veterans who acquire homes already adapted with special features made necessary by the nature of their disabilities. Specially adapted housing grants up to $6,000 are provided to veterans with total and permanent service-connected disabilities resulting from blindness or the loss or loss of use of both hands. Currently, veterans acquiring residences which are already adapted are not able to receive this assistance. S. 1602 provides that, in the case of a veteran acquiring a residence which is already adapted, the grant will be based upon the fair market value of the adaptations. S. 965 makes no provision for computing the grant in these cases. VA generally supports extending the specially adapted housing program as proposed by these two bills, and specifically favors enactment of S. 1602 because of the provision for computing the grant.

VA reported on S. 965 on May 22, 1985. Our report on S. 1602 was forwarded on September 12.

H.R. 2344--Housing Provisions

Section 5 of H.R. 2344, recently passed by the House, is similar to S. 1602 in that it would authorize special grants to veterans acquiring homes already adapted. This section includes the provision for computing the grant payment, and VA favors this provision.

Section 6 expresses the sense of the Congress that the VA loan fee should remain at the present 1 percent of the loan amount. The President's budget for fiscal year 1986 calls for increasing the fee to 5 percent of the loan amount. Therefore, the Administration opposes section 6 of H.R. 2344.

S. 9--Adjustable Rate Mortgages

S. 9 would amend title 38, United States Code, to authorize VA to guarantee loans with adjustable rate mortgages and would increase the maximum VA guaranty for both conventional and manufactured homes.

VA opposes enactment of S. 9.

First, as interest rates have stabilized, the difference in rates between ARMs and fixed-rate loans has declined. Further, some borrowers with ARMs have experienced "payment shock" when the monthly payment increases. In other instances, there may be negative amortization. Either of these factors increases the probability of default and thus the risk of loss to the Government.

Second, the increase in guaranty is not warranted for either conventional or manufactured home loans. On conventionally built home loans in fiscal year 1984, the average loan had a 40.51 percent guaranty, well in excess of the 25 percent required by secondary market investors. On manufactured homes the average guaranty in fiscal year 1984 totalled approximately $10,636, well below the $20,000 maximum. Both guaranty amounts, therefore, appear to be more than adequate and increases in the maximums would not be appropriate.

A detailed VA report on S. 9 was forwarded to the Committee on June 7, 1985.

S. 966--Mortgage Protection Life Insurance

The VA currently sponsors a Veterans Mortgage Life Insurance (VMLI) program to make term life insurance available to severely disabled veterans eligible for specially adapted housing grants. For these veterans, the cost of private mortgage insurance could be prohibitive. The VMLI-insured veteran pays a standard premium, and the Government bears the excess risk. S. 966 proposes a new mortgage insurance program for service-disabled veterans rated 80 percent or more disabled and unable to obtain private insurance. After a start-up appropriation, the mortality cost would be entirely borne by the insured veterans; the Government would pay for administration.

To assure the program's financial integrity, high premiums would be necessary. This would likely mean a relatively low participation rate. In the current climate, we do not consider a new program of the type envisioned by S. 966 to be justifiable. Accordingly, we do not favor its enactment.

Mortgage Bankers VA Task Force Report

We have thoroughly considered the Mortgage Bankers VA Task Force recommendations, which are intended to improve loan guaranty operations. Detailed responses prepared by the Loan Guaranty Service were provided to the Committee on August 20, 1985.

S. 1477--Burial Plot Allowance

S. 1477 would amend section 903(b) of title 38 to increase from $150 to $250 the burial plot allowance. VA opposes enactment of this bill primarily because the measure will entail substantial costs, reaching approximately $37.3 million annually by FY 1990. As will be described in our forthcoming report to the Committee, further expansion of burial assistance benefits is not justified by current needs among veterans' survivors.

S. 622--Annual Planning Report for the National Cemetery System

S. 622 would require an annual report on planning for the National Cemetery System. Its purpose appears to be expansion of the system. In our view, it is not appropriate to invite a significant expansion of the National Cemetery System, as S. 622 would do, in advance of a careful review of all of the issues involved. We provided a detailed report on S. 622 to the Committee on July 19, 1985.

S. 769--Upright Grave Markers

Some national cemeteries were designed for the use of flat markers, whereas others have employed upright markers. Upright markers are more expensive and far more difficult to maintain. For reasons of efficiency, economy, and effective use of land, we began a policy several years ago of converting our cemeteries to the use of flat markers. S. 769 would mandate the use of upright markers in all open cemeteries including those designed for flat markers. Each cemetery would be required to designate a flat-marker section and an upright-marker section. As explained in our May 22, 1985, report, we oppose S. 769 as disruptive and costly.

H.R. 2344--National Cemetery System Provisions

H.R. 2344, which I mentioned earlier, would also modify the National Cemetery System by requiring an annual planning report and upright grave markers. I have already discussed our reasons for opposing these provisions. In addition, this bill would mandate the acquisition of a cemetery site in Merced County,

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California. The VA has strongly supported the development of a new national cemetery in Northern California. However, we counseled against the Merced County site earlier this year as too far away from the centers of veteran population. We have withdrawn our objection to the Merced County site, in view of the consensus favoring Merced. We will move as quickly as possible to accomplish the land transfer, obtain funds for construction, and develop the site for veterans' interments.

S. 1397--Definition of "Detailed Plan and Justification"

The purposes of the next bill, S. 1397, are threefold: To set forth certain congressional findings respecting consolidation of VA services, to provide clarification of the requirement in section 210(b)(2) for a "detailed plan and justification" prior to administrative reorganizations, and to implement a transfer of functions from the prosthetics center in New York to a new center in the Washington, D.C., area prior to fiscal year 1986. As detailed in our February 1 transmittal letter to the President of the Senate, VA favors legislative waiver of the waiting period involved in the transfer of prosthetics functions. With regard to the bill's other provisions, the VA strongly opposes section 2, which would prohibit the Administrator from implementing an administrative reorganization, as well as section 3, which would serve to strengthen the provisions of section 210(b)(2) of title 38. Rather, the VA favors repeal of those provisions which restrict administrative reorganization plans and otherwise impede the proper and efficient management of the Agency.

Co-Location of Regional Offices

Mr. Chairman, I would next like to discuss the proposal to authorize co-location of five regional offices on VA medical center grounds as determined by the Administrator. As we testified on May 22 before the House Subcommittee on Oversight and Investigations (HVAC), the VA tends to favor co-location of offices as a cost-effective means of improving efficiency and services to our clientele. We expect to propose co-location on a case-by-case basis whenever it is cost-effective to do so.

S. 399--Naming of VAMC

Finally, I would like to comment upon S. 399, a bill to rename the VA Medical Center in Phoenix, Arizona, as the "Carl T. Hayden Veterans' Administration Medical Center." Consistent with our longstanding policy in such matters, the VA defers to the judgment of Congress respecting the renaming of the facility.

Mr. Chairman, that concludes my testimony at this time. I will be pleased to answer any questions you or other members of the Committee may have.

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Statement of

The American Legion

1608 K STREET, N. W.
WASHINGTON, D. C. 20006

by

PAUL S. EGAN, DEPUTY DIRECTOR
NATIONAL LEGISLATIVE COMMISSION
THE AMERICAN LEGION

and

JOHN F. SOMMER, JR., DEPUTY DIRECTOR
NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION
THE AMERICAN LEGION

before the

SENATE COMMITTEE ON VETERANS AFFAIRS
UNITED STATES SENATE

on

VETERANS COMPENSATION AND RELATED LEGISLATION

October 3, 1985

Mr. Chairman and Members of the Committee:

The American Legion appreciates this opportunity to comment on the various issues under consideration for inclusion in the Committee's veterans benefits bill for Fiscal Year 1986. In this statement we have addressed the proposals according to subject matter.

However, before addressing the measures under discussion, may it be said that we are sensitive to the fact that the Administration and the Congress are seriously concerned about the menacing budgetary deficit that faces the Federal Government. Veterans have shared that concern and during the immediate three previous fiscal years have acceded to reductions in veterans programs that have amounted to, on the whole, more than $500 million. The American Legion accepted most of these adjustments because we represent this nation's veteran population, and besides being veterans, these individuals who served in the United States Armed Forces are also responsible citizens. When modifications were being made to all entitlement programs, we believed that veterans should do their share - and we have certainly done just that.

The portion of the total Federal Budget consumed by veterans programs has steadily decreased over the past ten years from a full 5 percent in FY 1975, to 2.7 percent in FY 1985. Thus it cannot be said that veterans are receiving more than their fair share of total Federal dollars when in fact that share has been shrinking. We believe that any further reductions in funding for veterans programs would prove seriously harmful to the most needy and deserving VA beneficiaries, and we trust that this Body will continue to responsibly address the genuine needs of these veterans, their dependents and survivors.

We shall now address the measures currently under consideration.

The first is a draft proposal submitted by the Administration titled "Veterans' Disability Compensation and Survivor Benefits Amendments of 1985."

Section 314 of the title currently provides for the payment of compensation in the amount of $1,295 to those veterans with service-connected disabilities rated 100 percent or totally disabling. Higher rates of special monthly compensation are payable for certain multiple disabilities evaluated in excess of total, based upon the severity of the disabilities. The monthly benefits for those veterans whose service-connected disabilities are evaluated from 10 percent to 90 percent range from $66 to $779.

Additional monthly compensation is provided under section 315 of the title for the spouses, children, and dependent parents of veterans entitled to compensation, and whose service-related disabilities are rated at 30 percent or more.

An annual clothing allowance is provided under section 362 of title 38, to each person who, because of a compensable service-connected disability, wears or uses a prosthetic or orthopedic appliance or appliances that the Administrator determines to wear out or tear the veteran's clothing.

Dependency and indemnity compensation, provided under section 411 of the title, is payable to the surviving spouse of a member of the Armed Forces that was killed in action, or a veteran whose death was the result of a service-connected disability. The rate of DIC provided the surviving spouse is based upon the military pay grade of the veteran upon whose death entitlement is attributed. The pay grades range from E-1 through 0-10, and the current monthly benefits under the DIC program range from $476 to $1,267. In those cases where there is an eligible child or children of the veteran, the rates are currently increased by $53 for each child. Additional payments relating to aid and attendance and housebound benefits for surviving spouses are payable at the rates of $143 and $70, respectively. In addition, sections 413 and 414 of the title provide for specific payments for children of the veteran under certain circumstances.

The latest increases in disability compensation and DIC were provided under Public Law 98-543, and were effective December 1, 1984. This proposal calls for a 4.1 percent increase in these benefits, as well as in the annual clothing allowance, effective December 1, 1985. The American Legion is most supportive of cost-of-living increases in the service-connected disability and death benefits, and we feel they should at least be consistent with increases in the Consumer Price Index, which the proposed 4.1 percent increase appears to be.

Section 201 of the draft would amend section 3012(b) of the title so as to change the effective date of a reduction or discontinuance of benefits that are based upon school attendance.

Under current law benefits such as death pension and dependency and indemnity compensation are discontinued as of a child's eighteenth birthday. However, if the child is in school beyond that date, benefits are not discontinued until the end of the month in which the child terminates school attendance, or reaches age twenty-three. This amendment would establish the termination date of benefits as the last date on which the child attended school. In reviewing section 3012 of title 38 dealing with effective dates of reductions and discontinuances of various benefits, we note that the vast majority of the effective dates for such change occur as of the last day of the month in which there is a change in the payee's status. We see no compelling reason to single out the children addressed in this provision and deprive them of this minimal amount of economic support.

Section 202 of the draft would amend section 101(22) of title 38, with respect to the definition of active duty for training. The amendment would permit the full-time operational duty performed by National Guard and Air National Guard members to be considered active duty for title 38 purposes. As defined in section 101(21)(A) of title 38, active duty means full-time duty in the Armed Forces other than active duty for training. Under section 101(22)(C), active duty for training, with respect to National Guard members, means full-time duty authorized under title 32, regardless of whether the duty is performed for operational or training purposes. This amendment would limit active duty for training performed by guard personnel to full-time duty performed for training purposes.

We understand that in recent years, members of the National Guard ordered to full-time operational duty, usually to serve as instructors or recruiters, have been assigned active guard and reserve (AGR) status if the duty period is 180 days or more, and active duty support (ADS) status if the duty period is 179 days or less. Apparently these designations have led to some confusion on the part of the guard members as to their eligibility for title 38 benefits. Although a guard member on AGR or ADS status, disabled in the line of duty, would be eligible for VA compensation, active duty for training is not qualifying for certain other title 38 benefits, primarily home loan guaranty benefits and health care on a nonservice-connected basis. The amendment made by this section would assist guard members in AGR and ADS status to qualify for benefits on the same basis as other active duty service members and peacetime veterans. The amendment would be effective with respect to duty performed after September 30, 1985. However, guard members in AGR or ADS status as of the date of enactment would be able to include their service prior to that date in qualifying for loan guaranty benefits.

The American Legion has no objection with respect to this proposal.

Section 203 would amend section 101(4)(B)(i) of the title by providing that an adoptee could not be considered the legally adopted child of a veteran for the purposes of benefit eligibility under title 38, unless the adoption occurred prior to the date of any entitlement of the veteran to disability compensation or non-service-connected pension. The amendment would apply only to adoptions under laws of a jurisdiction other than a state, territory, possession of the United States, the District of Columbia, Puerto Rico, or the Northern Mariana Islands; and only where the adoptee resides in a foreign jurisdiction.

According to the explanatory language accompanying the draft, this proposal is designed to address a long-standing problem concerning recognition of adoption decrees issued under the laws of foreign jurisdictions. It goes on to explain that section 401 of PL 96-22 added new section 101(4)(B) to title 38, providing that a person residing outside the United States adopted under the laws of a foreign jurisdiction shall not be considered the legally adopted child of a veteran unless stated criteria relating to age at the time of adoption, support from the veteran, residence with the veteran, and absence of custody by a natural parent are met. In the case of a deceased veteran, the adopted child must have met the requirements for at least one year prior to the veteran's death or the veteran must have received benefits for the child during the year preceding death.

The introductory information further states that although the amendment enacted in 1979 has been of considerable benefit in combating adoption abuses, experience with the statute has revealed significant difficulties in administration, particularly in applying custody and residence criteria. And it is known in at least two claims in which VA has recognized foreign adoptions under the amended statute where the motivation for the adoption must be considered suspect. Both claims involved the adoption of children by aged grandparents in receipt of veterans pension benefits. In neither case did the adoption appear to serve any purpose other than generation of additional pension entitlement, and in both cases natural parents remained in close proximity to the adopted children and continued personal contact with them.

Mr. Chairman, in an attempt to reduce the potential for abuse and simplify claim development, this proposal, as we see it, could do more harm by establishing inequities for some veterans than the good it would accomplish with respect to its intent. For instance, any U.S. veteran with a service-connected disability now residing in Canada, Australia, Saudi Arabia, Germany or Mexico, just to name a few examples, would be precluded from drawing increased compensation or additional benefits based upon the adoption of a child while residing in that country. This would particularly affect Vietnam veterans, as they are of the age group most likely to adopt children. It is obvious that this is not the type of foreign adoption that is targeted in the legislation. However, innocent veterans such as those pointed out in the foregoing examples would be adversely affected because of the fact that they reside, many times as a result of their employment, in a foreign country.

It would appear to us that a more prudent and equitable solution could be accomplished through closer adherence to existing law by Veterans Administration personnel who are adjudicating questionable claims such as the two that are mentioned above.

Section 204 of the draft would amend section 360 of title 38, which provides for special consideration with respect to payment of compensation in cases where veterans have suffered certain service-connected disabilities affecting a single eye, ear, or kidney. Under current law, if a veteran has suffered service-connected blindness in one eye, service-connected deafness in one ear, or service-connected loss or loss of use of one kidney, in combination with certain nonservice-connected disabilities affecting the paired organs, resulting in total disability, compensation at the appropriate rate is paid as if the disabilities affecting both organs were service-connected. This section would extend the principle of paired organ impairment to certain disabilities of the lungs. If a veteran has suffered permanent disability of one lung rated 50 percent or more disabling under the relevant criteria, which is totally disabling in combination with a nonservice-connected disability of the other lung, compensation would be paid at the total disability rate.

The American Legion supports the intent of this section, inasmuch as severe disabilities of the lungs result in extreme impairment with a shortening of life expectancy, particularly when the paired lung is affected.

We have been asked to comment on a proposal to increase the estate limitation for hospitalized incompetent veterans without dependents.

Title 38, section 3203(b)(1)(A) currently provides that in the case of an incompetent veteran with no dependents, who is receiving hospital treatment, institutional or domiciliary care without charge by the United States or any political subdivision thereof, and the veteran's estate from any source equals or exceeds $1,500, further payments of pension, compensation, or emergency officers retirement shall not be made until the estate is reduced to $500.

The proposal under consideration would increase the limit of the estate from $1,500 to $8,000. The $1,500 limit was established under PL 86-146, enacted on August 7, 1959. In considering the increase in costs of goods and services over the subsequent 26 years, The American Legion would certainly support this proposal.

S. 1397 - This measure would amend section 210 of title 38, United States Code, to define the term "detailed plan and justification" in connection with certain administrative reorganizations of Veterans Administration facilities; to confirm that a reorganization involving consolidation of benefits offices is prohibited by law; and to permit a reorganization involving prosthetics centers to be implemented prior to Fiscal Year 1986.

The major thrust of this proposal is to address the Administration's attempt to accomplish a plan that would consolidate the Department of Veterans Benefits' benefit and support activities into three regional centers. The proposed concept would eliminate direct service to veterans by denying them the opportunity to present claims in person, with the assistance of a veterans service organization. The individual veteran needs and deserves this opportunity.

The American Legion is in agreement that the letters transmitted by the Administrator to the Committees on Veterans Affairs did not include the information needed to meet the criteria set forth in section 210(b)(2)(A) of the title with respect to an administrative reorganization.

In addition, the Delegates to the 1985 National Convention approved Resolution No. 28, that reiterates The American Legion's mandate to oppose any proposal that would consolidate or centralize the operations of the VA regional offices. For these reasons, we support the intent of this bill.

The next issue on which we shall offer comment is an Administration proposal to develop in Fiscal Year 1986, plans to co-locate five regional offices, to be determined by the Administrator, on the grounds of VA medical centers.

The American Legion views favorably the co-location of ROs and VAMCs, and we recommend the practice be expanded, where possible, throughout the systems of the various DVB and DM&S field stations. We believe it can be cost-effective, and that it very definitely facilitates the delivery of service to VA beneficiaries. However, this support extends only to those instances where the co-location is accessible to the veteran. For instance, we would not support the co-location of the Des Moines Regional Office with the Knoxville, Iowa VAMC.

S. 962 - This proposal would amend Chapter 30 of title 38, USC, to provide for educational assistance for apprenticeship or other on-the-job training under the All-Volunteer Force Educational Assistance Program.

The previous educational assistance programs administered by the Veterans Administration included education benefits payable to thousands of veterans who, rather than enroll in an institute of higher learning, have chosen to undertake a program of apprenticeship or on-the-job training to prepare themselves for entering the civilian work force. The purposes of the new educational assistance program set forth under Chapter 30 of the title are to assist in the readjustment of members of the Armed Forces to civilian life after separation from military service; to promote and assist the All-Volunteer Force program and the Total Force concept of the Armed Forces by establishing a new program of educational assistance based upon service on active duty or a combination of service on active duty and in the Selected Reserve (including the National Guard) to aid in the recruitment and retention of highly qualified personnel for both the active and reserve components of the Armed Forces; and to give special emphasis to providing educational assistance benefits to aid in the retention of personnel in the Armed Forces.

The American Legion feels that apprenticeship and on-the-job training programs must be included in the provisions of Chapter 30 in order to fully accomplish these purposes, and this organization is mandated to support such an amendment by Resolution No. 47, approved by the 1985 National Convention.

S. 1207 - This bill would amend sections 1780 and 1788 of the title, to provide equal benefits under certain VA educational assistance programs, to individuals enrolled in degree courses and individuals enrolled in non-degree courses offered by fully accredited institutions of higher learning that offer both degree and non-college degree programs.

During the past several years, technical and vocational, non-college degree (NCD) courses have become much more academically oriented, to the point that veteran students enrolled in these classes many times sit side by side in the classroom with students enrolled in degree (IHL) programs in accredited institutions. It is obvious that in this high tech era, most if not all technical careers such as electronics and computers require a much greater amount of classroom instruction rather than the hands on OJT type of training that once prevailed in technical and vocational training programs.

However, as the result of regulations promulgated many years ago, accredited degree granting institutions that maintain standards of quality equally applied and assured for each type of program, must discriminate against those veterans taking non-college degree courses by applying more stringent rules in areas such as course load measurement and attendance monitoring.

Because The American Legion believes that an inequity now exists in the application of regulations between these two types of programs, the National Executive Committee during its meeting of May 8-9, 1985 approved Resolution No. 4, that mandates us to support legislation to provide that veterans enrolled in non-college degree courses in those accredited institutions which offer both NCD and IHL types of courses be subject to the same regulations for those veterans pursuing IHL courses.

The next measure is an Administration proposal entitled the "Veterans Educational Assistance Act of 1985."

Title I of this proposal sets forth a number of improvements, technical amendments and other minor changes to Chapters 32, 34 and 36 of title 38.

We have no objection to these provisions, except for section 106, which would eliminate advance payment of a portion of the work-study allowance payable to an individual participating in the veteran-student services program authorized under section 1685 of the title. These advance payments are important to many veterans in their pursuit of an education, and to cut them out could create problems for those who count on these funds to pay for their tuition, books, supplies and subsistence.

Title II of this measure would amend or repeal the sections of title 38 that authorize the Veterans Administration to make education loans, including accelerated payments, to veterans and eligible persons.

Although an earlier cost-savings measure, the Omnibus Budget Reconciliation Act of 1981 (PL 97-35), limited the number of individuals eligible for VA education loans, those who retain eligibility and who depend upon these loans could be forced to discontinue their program of education or training. Thus, The American Legion opposes this initiative.

S. 622 - This bill would amend section 1000 of title 38, United States Code, to include a new subsection that directs the Administrator, not later than July 1 of each year, to submit to the Committees on Veterans Affairs a report on the construction and expansion of national cemeteries. Each report is to include a five year plan for the construction and expansion of the National Cemetery System; a list, in order of priority, of the 10 geographic areas in the United States in which the need for additional burial space for veterans is greatest; and general plans, including projected costs, site locations, and, if appropriate, necessary land acquisition, for each cemetery or proposed cemetery included in the five-year plan and general plans for the expansion of the National Cemetery System in each geographic area included on the list.

The first report is to be submitted not later than July 1, 1985, or the end of the 30-day period beginning on the date of enactment of this measure, whichever is later.

The American Legion is supportive of the orderly development and expansion of the National Cemetery System, and therefore supports the intent of this measure.

S. 769 - This proposal would amend section 1004(c) of the title, with respect to the use of grave markers in national cemeteries. The amendment would provide that, with respect to markers for the graves of persons who die after September 30, 1985, each marker shall be upright, except that, if the person buried (or the survivor or legal representative of the person buried) has requested that the grave be marked with a flat marker, the person shall be buried in a cemetery section set aside for graves marked with flat markers.

If enacted, the Administrator, during the period beginning October 1, 1985, and ending December 31, 1985, may waive the applicability of the new requirement in the case of the grave of a person to be buried during such period in a cemetery in which there is no section set aside for graves with upright markers. In addition, during that specific period, he may deny a request that the grave of a person to be buried in a national cemetery be marked with a flat marker if there is no section in the cemetery set aside for graves with flat markers.

Under this provision, not later than January 1, 1986, the Administrator would designate for each cemetery in the National Cemetery System a section in which graves shall be marked with upright markers, and a section wherein only the use of flat markers will be permitted.

Mr. Chairman, while The American Legion realizes that there does exist a genuine concern about losing certain aesthetic qualities in the national cemeteries by utilizing flat markers, the organization also feels that other serious factors affecting the availability of burial space for veterans must be considered.

One important factor for consideration relates to the size of the gravesite needed for each of the two markers. In March 1982, the National Cemetery System reduced the size of the standard gravesite from 5'x10' to 4'x8'. This increased the potential number of gravesites per acre from 840 to 1312; a significant result when considering the ever increasing demand on national cemeteries.

According to VA Department of Memorial Affairs' officials, the installation of an upright headstone necessitates the use of the 5'x10' gravesite because of the distribution of the weight of the marker. However, the 4'x8' space will accommodate the much lighter flat marker.

Other factors that we feel make the use of the flat marker more preferable in national cemeteries are the reduced expenses of transportation and installation. There are fewer maintenance requirements with flat markers, and they are much less subject to chipping, breakage and vandalism.

For all of these reasons, the National Executive Committee during its May 9-10, 1984 meeting, approved Resolution No. 18, that places The American Legion in support of the use of flat markers in all new national cemeteries; and to support the use of the 4'x8' gravesite size. Subsequently, during its meeting of May 8-9, 1985, the NEC approved Res. No. 1, that places us in support of an exception regarding the gravesite size and the use of upright markers at Ft. Snelling National Cemetery in Minnesota, and the Black Hills National Cemetery in South Dakota. The reasoning behind the support of such an exception is the heavy snowfall and icy conditions at those two cemeteries which, for approximately four months out of each year, make it virtually impossible for families of veterans buried there to locate the gravesites when flat grave markers are used.

Because our established policy on headstones and gravesite size in the National Cemetery System is, for the most part, in opposition to the intent of S. 769, The American Legion must oppose enactment of the measure.

S. 1477 - This bill would amend section 903(b) of title 38, to increase the burial plot allowance for veterans from $150 to $250.

There are many burdens placed on family members when a veteran dies, and one that is most pressing is financial. In all too many instances the families do not have the means to provide for the purchase of an appropriate burial site.

The initial plot allowance of $150 was established by PL 93-43, approved June 18, 1973. Since 1973 there has been no action to increase this allowance. The present burial plot allowance of $150 is unrealistic when we consider how costs have risen since this benefit was first granted, and the increases in funeral costs over the same period of time.

For these reasons, the Delegates to our 1984 National Convention approved Resolution No. 82, that mandates The American Legion to sponsor and support legislation to increase the present burial plot allowance for veterans from $150 to $250. Thus, we certainly support the intent of S. 1477.

H.R. 2344 - An initiative to make improvements in the National Cemetery System, and in the Veterans Administration program that provides assistance to certain disabled veterans in acquiring specially adapted residences; and to express the sense of Congress with respect to the Veterans Administration home loan origination fee.

Section 2 of this measure is indentical to S. 622, which was previously addressed in this statement, and which The American Legion supports.

Section 3 of the bill is identical to S. 769, a proposal that was previously discussed, and which the Legion cannot support, based on a National Executive Committee mandate.

Section 4 would authorize the Administrator to accept from the Romero Ranch Company, a California corporation, a tract of land consisting of 350 acres, more or less, located in Merced County, California, if donated to the United States by the Romero Ranch Company for the purpose of the establishment of a national cemetery. The exact acreage and legal description of the land to be conveyed would be determined by the Administrator and the company.

A national cemetery established under this section shall become part of the National Cemetery System and shall be administered under Chapter 24 of title 38, United States Code.

The American Legion, Department of California, is highly supportive of establishing a national cemetery at this site. Department officials advise us that the land is aesthetically desirable and accessible, as it is located in an area comprised of beautiful rolling hills, near the junction of Interstate 5 and two major State highways.

The National Executive Committee, at its meeting of May 8-9, 1985, approved Resolution No. 17 that places The American Legion in a position to support legislative and administrative efforts to establish a national cemetery at this site.

The other sections of H.R. 2344 will be discussed later in this statement.

Mr. Chairman, we will now turn our attention to the variety of proposals concerning the home loan program. The first of these proposals, S. 9, would authorize VA to guarantee adjustable rate mortgages (ARM) and would increase the dollar amount of the guaranty on loans made for the purchase of homes, single family residential condominiums, farm residences,or manufactured homes. Specifically, the guaranty on homes, condominiums and farm residences would be increased from the current $27,500 to $35,000. For manufactured housing, the increase would bring the guaranty up from the current $20,000 to $22,000.

By increasing the home loan guaranty for traditional and manufactured residences, an important step would be taken in assuring that the VA program keeps up to date. It is clear to anyone familiar with the housing market that increases in property value have skyrocketed over the last several years. In order for the VA program to keep pace with inflation in these times of property value escalation, an increase in the home loan guaranty is essential.

Typically, the VA guaranty is seen by lenders as a form of collateral allowing the veteran to purchase a property with no down payment. Should the amount of the VA guaranty be allowed to atrophy without periodic upward adjustments reflecting changes in the housing market, the guaranty would lose its collateral value to lenders and the program would become effectively meaningless to veterans.

It is for these reasons The American Legion fully supports the increase in VA home loan guaranties provided for by S. 9. After having said that, however, the Legion strongly recommends that the Veterans Affairs Committee closely examine the guaranty provided for purchases of manufactured housing. Recent revelations in the press, an ongoing VA Inspector General investigation and a host of recent indictments of manufactured housing builders and dealers make it prudent to assess the actual manufactured housing inflation rate over the last 10 years. This is because the practice of price fixing in the manufactured housing industry, apparently widespread throughout the industry, may have artificially increased manufactured housing values. If this is found to be the case, it may be appropriate to either lower or forego an increased guaranty for manufactured housing.

On the subject of authorizing VA to guarantee ARMs, The American Legion notes that this proposal in S. 9 would restrict annual increases to no more than one percent and would prohibit increases of five percent over the course of the entire period the mortgage is held. These precautionary provisions correctly take note of how risky ARMs are and have been for unsophisticated homebuyers. In spite of these precautionary provisions, The American Legion is constrained from supporting VA guaranteed ARMs.

While it is true that the VA program must keep pace with general housing trends, it is also true that the size and breadth of the VA program, owing to the numbers of buyers who are eligible to participate, is capable of setting positive or restraining negative trends in the housing industry. In our view, just because some 50 percent of all new mortgages written today are ARMs is no reason to conclude that ARMs are a good thing for the housing, real estate or lending industries. Over the last 25 years, as property values have escalated meteorically, it has become necessary to finance home purchases with ever more innovative and creative financing. Were this not the case, housing values would have peaked, stabilized or even declined precipitously in the face of too few buyers able to afford too many expensive properties. We believe the trend in creative financing plans has had the affect of artificially sustaining high property values. Even though these financing plans have assisted many buyers who could never have purchased homes without them, the continuance of this trend, which allows ongoing artificial increases in property values, may ultimately have the affect of locking younger and first time home buyers out of the housing market in the years to come.

Apart from general trends in housing and finance, ARMs, the latest and most popular creative financing scheme, have been shown to be dangerous for all too many buyers. During the most recent recession, the default and foreclosure rates on all types of mortgages was astronomically high. The risk of default and foreclosure on ARM financed housing is high irrespective of economic downturn. Buyers using ARMs to finance the purchase of a home are gambling that interest rates will be stable or decline. When interest rates rise, so does the rate applied to the mortgage. Some buyers might beguile themselves into believing their annual income will rise enough to accommodate increases in mortgage payments, but if income remains stable the risk of default becomes quickly evident. The point here is that unless the buyer is well enough heeled financially to face any economic exigency, the purchase of property using ARMs is a leap in the dark.

For unsophisticated buyers, there are other problems that can arise. If, for example, a buyer secured a property using an ARM with a guaranty that interest increases would be limited both annually and over the life of the mortgage, as in S. 9, there would still be no assurance that the mortgage will be free from negative amortization. Under these circumstances, buyers with caps on interest increases often find the amounts they would have paid without the caps are simply added to the balance of the mortgage. Conceivably, this could lead to buyers owing more after five years of the mortgage than they originally borrowed.

The VA home loan program is only now recovering from all-time high rates of foreclosure due to the most recent recession. Had ARMs been available to veterans when they first became popular, that foreclosure rate would have been significantly higher. With or without recession, however, ARMs are such that default can occur at any time.

Currently, veterans can purchase homes using graduated payment plans. VA has been authorized to guarantee these loans for several years. Under graduated payment plans, veterans can also be subject to annual increases in mortgage payments. However, the difference between graduated payment plans and ARMs is that the veteran using a graduated payment plan knows exactly how much more he or she will have to pay each month at the outset of the purchase. This is not the case with an ARM. Notwithstanding our opposition to VA guaranteed ARMs, we also suggest that this committee examine VA experience with graduated payments in the interest of evaluating whether or not these plans also are too risky.

Legislation to modify the criteria governing how blinded veterans eligible for adaptive housing grants, amounting to $6,000, can be used is also a subject for discussion at this hearing. Two measures to accomplish this have been introduced in the Senate, S. 965 and S. 1602, and another, H.R. 2344, was passed by the House on May 20, 1985. Under current law, an eligible blinded veteran may use the $6,000 grant to have a home modified to accommodate the disability of blindness. Unfortunately, this grant cannot be used in the purchase of a home that has already been adapted. Under each of these measures, this would be changed so that blinded veterans would no longer be required to purchase unadapted housing in order to avail themselves of the grant. This legislation constitutes a minor change in the law, but would give blinded veterans greater discretion in the purchase of their homes.

Another proposal which was introduced on April 22, 1985, S. 966, would expand the availability of mortgage protection life insurance for severely disabled veterans. Under current law, veterans with service-connected disabilities who are eligible for and receive VA grants for specially adapted housing may obtain mortgage protection life insurance through the VA. This insurance has been made available to these veterans since 1971 and was presumably made available in recognition of the fact that these veterans were completely unable to obtain mortgage protection insurance from commercial insurers.

Ordinarily, mortgage protection life insurance is purchased by individuals desiring to protect spouses and dependents from the loss of a home in the event of the untimely death of the principal earner. Unfortunately, many severely disabled veterans who are ineligible for specially adapted housing grants are also unable to secure mortgage protection life insurance from the private sector. To correct this problem, this legislation would authorize VA to extend this insurance to any veteran 80 percent or more disabled who cannot purchase insurance in the private sector.

The American Legion is supportive of this legislation.

In another section of earlier discussed House passed H.R. 2344, the sense of Congress is expressed in opposition to increasing the user fee beyond the current one percent. The American Legion is grateful to the House Veterans Affairs Committee for its leadership in opposition to increasing the user fee. That notwithstanding, the provision, even if also adopted by the Senate, is nonbinding.

On the other hand, more substantive legislation in the form of an Administration proposed bill would increase the user fee from one percent to five percent. Although this proposal has been discredited in both the House and Senate throughout the course of developing a budget for Fiscal Year 1986, the specter of similar proposals in the future remains.

This year, from a historic standpoint, it has also become clear that the allies of this proposal have emerged from rather peculiar quarters. It will be recalled that when it became evident that the original five percent user fee increase would fail, the Administration sought support within the banking and housing industry. This was done presumably to allay Congressional concerns. Ironically, on the very day representatives from the National Association of Realtors testified before the House Veterans Affairs' Subcommittee on Housing and Memorial Affairs in opposition to the user fee increase, representatives of the same organization announced later that afternoon that a user fee increase to 3.8 percent was acceptable in the interest of reducing the Federal deficit. Apart from that organization's agreement with a proposition to reduce deficits by imposing a targeted tax on veterans as a class of individuals, the entire episode should alert all who are concerned about the economic fate of the nation's veterans to the need to maintain a vigilant posture in opposition to any user fee increases.

At the time this compromise was reached and announced, the Office of Management and Budget sought to clothe the compromise proposal in the rhetoric of equity. As such, it was said that since Federal Housing Administration (FHA) buyers were required to pay 3.8 percent at the time of purchase of their properties, it was only fair that veterans too should be required to pay a 3.8 percent fee. This argument, however, while sounding reasonable superficially, ignores the fundamental differences between the FHA and VA programs.

When FHA buyers purchase a property, it is true that a 3.8 percent charge is incurred. However, this 3.8 percent is a fee that is designed to cover the cost of mortgage insurance against default. In effect, when an FHA buyer purchases a property paying the required 3.8 percent fee, he or she has purchased a 100 percent indemnification. On the other hand, VA buyers are currently paying one percent and under the proposal would pay 3.8 percent for absolutely nothing in return. Adding insult to injury, the VA buyer's guaranty of the lesser of 60 percent or $27,500 is comparatively inferior to the FHA buyer's mortgage insurance.

There are several other proposals made in the Administration's draft bill with which the Legion strongly disagrees. The first of these would repeal the VA Administrator's authority to set the maximum interest rate on loans guaranteed by VA. As with the rhetoric used to make an increased user fee acceptable, this proposal is couched in language designed to give veterans the misunderstanding that they would fare better in the housing marketplace without interest rates fixed by the Administrator.

It is said, in that regard, that the proposal would allow veterans to negotiate interest rates with lenders, therefore offering the veteran an opportunity to make his best deal with lenders given existing market conditions and competition among lenders for mortgage business.

As a matter of operational practicality, the veteran under this proposal would be far less equipped to negotiate on an equal basis with lenders whose superior expertise in matters of finance is unquestioned. Simply stated, the veteran would either end up paying whatever interest rate the lender demanded, or forego the purchase of a property.

If this Committee is serious about this proposal, and we hope it is not, it is incumbent upon this Committee to closely examine the experience of FHA buyers in negotiating interest rates with lenders before changing the law currently applying to veterans. It is only since November of 1983 that negotiable interest rates have been permitted for FHA buyers. While we have no statistics to back our suspicion that FHA buyers are paying greater interest rates now than they were prior to the change in law, we do note that housing legislation, H.R. 1, currently pending action by the House would repeal the changes made in 1983.

Yet another proposal within the Administration proposed bill would authorize direct appropriations for the Loan Guaranty Revolving Fund (LGRF). The letter accompanying the draft bill describes the recent historical need for appropriating funds to LGRF as stemming from high foreclosure rates. In connection with this description it is added that the enactment of an increased origination fee should obviate the need for direct appropriations.

Here also, a rather significant point is ignored. The LGRF, normally self-sufficient and solvent, was decimated not by high foreclosure rates alone. The more significant reason for LGRF need for appropriations stemmed from the 1981 reconciliation requirement that VA sell off its only income generating assets, its portfolio of loans.

While in the interest of prudence it may be wise to authorize direct appropriations to provide a cushion against future home loan program obligations, the wisest move would address the damages done by the 1981 reconciliation act. As such VA should be given authority to aggressively rebuild its home loan portfolio. For its part, The American Legion took great pains to contrive several constructive proposals to solve this problem when we testified at this Committee's oversight hearing on the home loan program last May 1. Of the proposals made at that time, several were aimed at establishing a special program for first time home buyers. That notwithstanding, what LGRF most needs for financial solvency is a vital portfolio of income generating assets rather than a user fee tax on veterans.

One final option recommended in the draft legislation upon which the Legion will comment is the repeal of VA's requirements to inspect the manufacturing process of manufactured houses and conduct on-site inspections of those units purchased with VA financing. Given the recent scandal surrounding the manufactured housing industry, there is obviously an ongoing need to retain these requirements. The fact that many veterans have been paying prices exceeding the actual value of these homes by between $500 and $5000 per home, and the fact that VA failed to discover this price fixing scheme sooner suggest that VA may have failed to abide by even the current law's requirements.

As we understand it, the typical VA practice is to contract out for appraisals of these homes. The contract appraisers then review the manufactured home invoice detailing the components included and the overall value of the home. Upon this review and subsequent recommendation of the contract appraisers, the loan is guaranteed. Reports that these invoices have often listed appliances such as dishwashers, dryers, air conditioners, outside decks, outside metal skirting, and others that were never actually provided, further suggests the VA has failed to fulfill its obligation to conduct on-site inspections. The VA arguably could have fulfilled these obligations by assuring that appraisers given VA contracts were doing the on-site inspections. Here too VA seems to have dropped the ball.

Another Administration draft measure under consideration today would upwardly revise the dollar threshold after which the VA's loan guaranty program would be required to formally advertise for contracts. This threshold would be raised from the current $1,000 to $25,000. Without knowing precisely what specific services the VA usually contracts for under this part of the law in the conduct of its property management and sales program, it is hard to make informed comment. However, if this adjustment would provide VA greater latitude in expeditiously marketing its portfolio of foreclosed properties, this may be a proper adjustment in the law.

One final document under consideration today is the June 1985 Mortgage Bankers Association of America Report of the VA Task Force. That report makes a variety of recommended adjustments in underwriting and qualifying veterans for mortgage loans and property value appraising standards. Generally speaking, The American Legion is in agreement with many of this report's findings and some of its recommendations.

With regard to current practices in qualifying veterans for home loans, the Legion has said repeatedly that too many veterans have been granted loans only to find themselves unable to afford the mortgage payments later. This, at least in part, is why the rate of foreclosures in recent years has been so high. The old rule of thumb which had it that no more than 25% of one's income should be devoted to housing costs seems to have fallen by the wayside.

We understand in today's volatile housing market that the old rule of thumb may no longer be as relevant as it once was. However, we do believe that stricter criteria could and should be used in qualifying veterans. In May, when we outlined our proposals for the home loan program, we suggested just such a modification as it would apply to first time home buyers participating in a new special program.

Among the recommendations made by the Mortgage Bankers Association of America concerning property appraisals, we agree that standardization in appraisal criteria is badly needed. We most heartily agree that data should be established to allow a comparison of post foreclosure appraisals with original property value appraisals. Were this data already available, it is likely that a clearer picture of how much consistency in the appraisal business exists. Toward that end we also believe VA should rigorously insist on legitimate documentation of the qualifications and training of the appraisers with whom it contracts for services.

Mr. Chairman, that concludes our statement.

SIXTY-SEVENTH ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
AUGUST 26-28, 1985
NEW ORLEANS, LOUISIANA

RESOLUTION NO.: 28

COMMITTEE : VETERANS AFFAIRS AND REHABILITATION

SUBJECT : OPPOSE ANY PROPOSAL THAT WOULD CONSOLIDATE OR CENTRALIZE THE OPERATIONS OF THE VETERANS ADMINISTRATION REGIONAL OFFICES

WHEREAS, It has been proposed to consolidate the majority of the operations of the Veterans Administration Regional Offices into one or a maximum of three centralized locations; and

WHEREAS, Such a proposal is neither reasonable nor practical; and

WHEREAS, If any such proposal becomes a reality, it will seriously effect the role that veteran organizations play in the daily operation of the Veterans Administration Regional Office; and

WHEREAS, Any such action would eliminate the individual and personal representation in the presentation of claims in behalf of claimants before the Veterans Administration; and

WHEREAS, The American Legion believes that any such centralization of the Regional Offices would involve large expenditures of Federal funds and is not cost-effective; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in New Orleans, Louisiana, August 26, 27, 28, 1985, that The American Legion oppose any proposal, from whatever source, that would consolidate or centralize the operations of the Veterans Administration Regional Offices.

SIXTY-SEVENTH ANNUAL NATIONAL CONVENTION
OF
THE AMERICAN LEGION
AUGUST 26-28, 1985
NEW ORLEANS, LOUISIANA

RESOLUTION NO.: 47

COMMITTEE : NATIONAL SECURITY

SUBJECT : EDUCATIONAL ASSISTANCE FOR APPRENTICESHIPS AND ON-THE-JOB TRAINING

WHEREAS, The recently enacted Veterans Educational Act of 1984 does not provide for apprenticeship and/or on-the-job training; and

WHEREAS, Since 1944 literally hundreds of thousands of veterans have received some form of training under the G.I. Bill; and

WHEREAS, Historically, apprenticeship and/or on-the-job training is accepted as the most successful method of training job recipients; and

WHEREAS, Many areas of skill and training/development are not available via an educational institution except through apprenticeship; and

WHEREAS, Most employers require a satisfactory period of education and on-the-job training as part of their employment; and

WHEREAS, A high percentage of high school graduates do not desire to go to college but do desire to continue their education; and

WHEREAS, The cost of on-the-job training/apprenticeship has been historically more effective than other forms of skill training; and

WHEREAS, Benefits accruing to American business and industry have been substantial; and

WHEREAS, The need is present as pointed out by enactment of P.L. 98-77 "Emergency Veterans Job Training Act of 1983"; and

WHEREAS, In the interest of fairness for those not desiring institutional education would be best served; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in New Orleans, Louisiana, August 26, 27, 28, 1985, that they urge Congressional support of an amendment to Chapter 30 Title 38, U.S. Code of Veterans Benefits (a.k.a. Veterans Educational Assistance Act of 1984) to include apprenticeship and on-the-job training.

NATIONAL EXECUTIVE COMMITTEE MEETING OF THE AMERICAN LEGION, MAY 8-9, 1985

RESOLUTION NO: 4

COMMISSION: National Veterans Affairs and Rehabilitation

SUBJECT: Support legislation to provide that veterans enrolled in non-college degree courses in those accredited institutions which offer both NCD and IHL types of courses be subject to the same regulations for those veterans pursuing IHL courses. (Origin: Res. No. 571 (SC) of the 1984 National Convention)

WHEREAS, accredited institutions, which offer both degree (IHL) and non-college degree (NCD) types of courses, maintain standards of quality that are equally applied and assured for each type of program; and

WHEREAS, veterans enrolled in each of these types of programs have earned the right of equal treatment under the law; and

WHEREAS, accredited degree granting institutions, in order to comply with title 38, United States Code, must adhere to regulations which discriminate against those veterans taking NCD courses by applying more stringent rules in areas such as course load measurement and attendance monitoring; and

WHEREAS, The American Legion believes that an inequity now exists in the application of regulations between these two types of programs in that many changes have occurred in the area of technical and vocational education since the enactment of the World War II and Korean Conflict GI Bills - acknowledging the fact that vocational courses have become increasingly academically oriented; now, therefore, be it

RESOLVED, by the National Executive Committee of The American Legion in regular meeting assembled in Indianapolis, Indiana, May 8-9, 1985 that The American Legion support legislation to provide that veterans enrolled in non-college degree courses in those accredited institutions which offer both NCD and IHL types of courses be subject to the same regulations for those veterans pursuing IHL courses.

NATIONAL EXECUTIVE COMMITTEE MEETING OF
THE AMERICAN LEGION, MAY 9-10, 1984

RESOLUTION NO: 18

COMMISSION: National Veterans Affairs and Rehabilitation

SUBJECT: Urges The American Legion to support the use of flat grave markers in all new national cemeteries and further, that The American Legion support the concept of the present gravesite size currently in use in national cemeteries

WHEREAS, the Veterans Administration is currently using flat grave markers in all new national cemeteries and in certain sections of existing national cemeteries; and

WHEREAS, flat grave markers are easier to maintain, are far less costly and are less subject to damage or breakage; and

WHEREAS, flat grave markers are not being used in those existing cemeteries wherein the esthetic view and overall effect would be adversely affected by such use; and

WHEREAS, effective March 1, 1982, a 4' x 8' gravesite for casketed remains was adopted as standard, not only for all new national cemeteries, but also for certain sections now in use at existing cemeteries; and

WHEREAS, the 4' x 8' gravesite is and has been the standard size used in private cemeteries; and

WHEREAS, the utilization of the new gravesite size has resulted in more effective use of existing land and will thus extend the life span of most national cemeteries; and

WHEREAS, The American Legion believes the decisions to utilize a smaller gravesite size for casketed remains, and the placement of flat grave markers is in the best interest of all veterans, in that it has resulted in both substantial savings as well as more effective use of all cemetery land; now, therefore, be it

RESOLVED, by the National Executive Committee of The American Legion in regular meeting assembled in Indianapolis, Indiana, May 9-10, 1984, that The American Legion support the use of flat grave markers in all new national cemeteries; and further that The American Legion support the concept of the present gravesite size currently in use in national cemeteries.

NATIONAL EXECUTIVE COMMITTEE MEETING OF
THE AMERICAN LEGION, MAY 8-9, 1985

RESOLUTION NO: 1

COMMISSION: National Veterans Affairs and Rehabilitation

SUBJECT: Support legislation to provide that the Veterans Administration make an exception regarding the size of the gravesite and the use of the upright headstones at the Fort Snelling National Cemetery in Minnesota and the Black Hills National Cemetery in South Dakota. (Origin: Res. No. 311 (MN) of the 1984 National Convention)

WHEREAS, veterans buried in national cemetaries are entitled to have appropriate grave markers provided for their graves; and

WHEREAS, only single-depth interments are required at Fort Snelling National Cemetery due to adverse soil and weather conditions; and

WHEREAS, Minnesota and South Dakota being cold weather States do have heavy snowfall and icy conditions which, for approximately four months of each year, makes it virtually impossible for families of veterans to locate gravesites when flat grave markers are used; and

WHEREAS, it is the feeling of many individuals that upright headstones better symbolizes the contributions made by veterans; and

WHEREAS, both these national cemeteries do have ample land to accommodate the use of a 5 x 10 gravesite size, thus enabling the use of the larger upright headstone; now, therefore, be it

RESOLVED, by the National Executive Committee of The American Legion in regular meeting assembled in Indianapolis, Indiana, May 8-9, 1985, that The American Legion support legislation to provide that the Veterans Administration make an exception regarding the size of the gravesite and the use of upright headstones at the Fort Snelling National Cemetery in Minnesota and the Black Hills National Cemetery in South Dakota.

SIXTY-SIXTH ANNUAL NATIONAL CONVENTION OF THE AMERICAN LEGION
SALT LAKE CITY, UTAH, SEPTEMBER 3, 4, 5, 1984

RESOLUTION: No. 82 (Tennessee)

COMMITTEE: Veterans Affairs and Rehabilitation

SUBJECT: Sponsor and support legislation to increase the present burial plot allowance for veterans from $150 to $250

WHEREAS, national cemeteries are not always located near centers of population, thus precluding many veterans from utilizing them; and

WHEREAS, the majority of veterans desire to be buried in either family burial plots or in cemeteries located nearest their homes; and

WHEREAS, the cost of burial plots has increased considerably during recent years; and

WHEREAS, The American Legion perceives that many families of veterans have limited means to provide for the purchase of an appropriate burial site; now, therefore, be it

RESOLVED, by The American Legion in National Convention assembled in Salt Lake City, Utah, September 3, 4, 5, 1984, that The American Legion sponsor and support legislation to increase the present burial plot allowance for veterans from $150 to $250.

NATIONAL EXECUTIVE COMMITTEE MEETING OF
THE AMERICAN LEGION, MAY 8-9, 1985

RESOLUTION NO: 17

COMMISSION: National Veterans Affairs and Rehabilitation

SUBJECT: National Cemetery Site for Northern California.
(Origin: Reg. Res. 2105 (CA))

WHEREAS, the great State of California has the nation's largest veteran population; and

WHEREAS, California is even larger geographically than its veteran population indicates; and

WHEREAS, the United States government has many times over the years assured its war veterans that they were entitled to burial in a national cemetery; and

WHEREAS, these honorably discharged veterans should be buried in a national cemetery near enough to their homes that families can attend burial services and conveniently visit the gravesite thereafter as often as they desire; and

WHEREAS, the only national cemetery in California with available burial plots is in Riverside County in Southern California more than 300 miles from the population centers of Northern California; and

WHEREAS, there is now available in Western Merced County more than an ample and suitable amount of land which will be donated for a national cemetery site in beautiful rolling hills near the junction of Interstate Highway 5 and two major State Highways; and

WHEREAS, this proposed national cemetery site is within two hours drive of the major population centers of Northern California and is presently available and ready for cemetery development; now, therefore, be it

RESOLVED, by the National Executive Committee of The American Legion in regular meeting assembled in Indianapolis, Indiana, May 8-9, 1985, that The American Legion support legislative and administrative efforts to establish a national cemetery in Western Merced County in order to provide the opportunity for burial in a national cemetery to the veterans residing in Northern California.

VETERANS OF FOREIGN WARS OF THE UNITED STATES

OFFICE OF THE DIRECTOR

STATEMENT OF

DONALD H. SCHWAB, DIRECTOR
NATIONAL LEGISLATIVE SERVICE
VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES SENATE

WITH RESPECT TO

THE ADMINISTRATION'S PROPOSED COST-OF-LIVING INCREASE IN COMPENSATION AND DEPENDENCY AND INDEMNITY COMPENSATION AND OTHER PENDING VETERANS LEGISLATION

WASHINGTON, D. C. OCTOBER 3, 1985

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

Thank you for the privilege of appearing before this distinguished Committee to present the views of the Veterans of Foreign Wars of the United States. My name is Donald H. Schwab and it is my privilege to serve the more than two million men and women of the Veterans of Foreign Wars as their National Legislative Director.

Mr. Chairman, the Administration's draft bill entitled the "Veterans' Disability Compensation and Survivor Benefits Amendments of 1985" consists of three titles. Title I would increase the rates of compensation, additional allowances for dependents, the clothing allowance and DIC by 4.1 percent effective December 1, 1985.

Title II of the Administration's bill would make several changes in current law as follows:

1. Section 201 would delete 38 USC 3012(b)(7), thus reducing or discontinuing compensation, DIC or pension the day following the last day of school

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attendance of the payee or a dependent of the payee as in the case of a dependent child attaining its 18th birthday. This is a tenable cost-savings measure.

2. Section 202 would amend 38 USC 101(22) to permit full-time duty performed by National Guard and Air National Guard members to be considered "active duty" for title 38 purposes if the member served continuously in such status 181 days or more. Specifically cited are housing and small business loans under the provisions of chapter 37, 38 USC. The VFW supports this provision as a further incentive for members in the National Guard and Air National Guard.

3. Section 203 would amend 38 USC 101(4)(B) with respect to foreign adoptions and limit the circumstances under which adopted children may be considered dependents by requiring that the adoption be made by the veteran prior to the date of any entitlement to compensation or pension. The purpose of this provision is to thwart spurious adoptions granted by some foreign courts contrived by the veteran for the sole purpose of increasing compensation or pension payments. Since this provision would apply only to an adoption under the laws of a jurisdiction other than a state, territory, possession of the United States, the District of Columbia, Puerto Rico, or the Northern Mariana Islands, and only where the adoptee resides in a foreign jurisdiction, the VFW supports its passage.

4. Section 204 would amend 38 USC 360 by extending the bilateral factor of veterans suffering a permanent service connected disability of one lung rated at 50 percent or more disabling which is totally disabling in combination with the nonservice connected disability of the other lung if not the result of willful misconduct. This proposed amendment is an enhancement of the "paired organ impairment" principle and supported by the VFW.

Title III of the Administration's bill would extend the expiring authority of the Veterans Administration to operate a regional office in the Republic of the Philippines until September 30, 1988. Authority for the Veterans Administration to maintain a regional office in Manila has repeatedly been extended since the Philippine Islands were granted their independence on July 4, 1946. The VFW supports this provision as the most cost-effective method of servicing claimants in the Republic of the Philippines.

Mr. Chairman, the Congressional Budget Office presently pegs the inflation rate at 3.4 percent and anticipates it will not exceed 3.7 percent by the end of the year and the latter amount may be the cost-of-living increase granted Social Security and Veterans Administration pension beneficiaries. Therefore, it would appear the increase in compensation and DIC will be less than the 4.1 percent projected some nine months ago. The position of the VFW is that cost-of-living increases granted disabled veterans and their survivors should offset the increase in the Consumer Price Index (CPI) and not be less than that granted beneficiaries under any other entitlement program.

Mr. Chairman, S. 399 introduced by the Honorable Dennis DeConcini for himself and the Honorable Barry Goldwater would honor the late Carl T. Hayden by designating the Veterans Administration Medical Center in Phoenix, Arizona, the "Carl T. Hayden Veterans Administration Medical Center." Arizona was the 48th state to enter the Union on February 14, 1912, and Carl T. Hayden was its first-elected Representative to the 62nd Congress. He served 50 years in the House and Senate and was chairman of the Senate Appropriations Committee for 14 years. Mr. Hayden was the first recipient of our VFW Congressional Award and we would interpose no objection to the passage of the instant legislation.

Mr. Chairman, S. 966 introduced by the Honorable Alfonse M. D'Amato would amend 38 USC to provide mortgage protection life insurance for veterans suffering from a service connected disability rated at 80 percent or more and who do not qualify for specially adapted housing under the provisions of 38 USC 806.

The VFW has long supported the concept of Mr. D'Amato's bill since severely disabled veterans with service connected disabilities are either deemed uninsurable or must pay exorbitant premiums for limited coverage. Our current VFW Resolution No. 744 addresses this issue and is entitled "Mortgage Insurance for 100% Service Connected Disabled Veterans." Our present position is predicated upon the fact that legislation including other service connected disabled veterans has perennially failed advancement. There are presently some 135,519 veterans with a schedular rating of 100 percent and another 78,997 so rated for unemployability. The number who would now seek mortgage insurance would in all probability not be large.

S. 1207 introduced by the Honorable Strom Thurmond would amend 38 USC 1780(a) and 1788(a) to provide equal benefits with respect course-load measurement, attendance monitoring and pay periods for veterans enrolled in courses leading to a standard college degree and vocational courses not leading to such a degree in accredited institutions offering such a career choice. Our VFW Resolution No. 604 addresses and supports Senator Thurmond's bill.

Mr. Chairman, S. 965 introduced by the Honorable Alfonse M. D'Amato and S. 1602 introduced by the Honorable Arlen Specter for himself, Mr. Rockefeller and yourself are identical as to intent. Both bills would amend 38 USC 801 to authorize the Administrator of Veterans Affairs to assist a veteran needing specially adapted housing in acquiring a residence already adapted with special features if judged to be reasonably necessary by virtue of the veteran's disability. Assuming acquisition under the terms of the legislation would not preclude further needed or desirable modifications, advancement of the legislation could well facilitate home ownership for some disabled veterans.

S. 9 introduced for the Honorable Alan Cranston by the Minority Leader of the Senate, the Honorable Robert C. Byrd, would amend 38 USC 1803(c), 1810(c), 1811(d)(2) and 1819(c) to authorize the guaranty of qualified adjustable rate mortgages and to increase the maximum amounts of Veterans Administration home loan guaranties. The maximum guaranty for conventional home loans and direct loans would be increased from $27,500 to $35,000 and for manufactured homes and lots from $20,000 to $22,000. S. 9 is similar to H.R. 5617 supported by the VFW and passed by the House of Representatives on May 21, 1984; therefore, we urge advancement of these increases which would strengthen the VA loan in the various mortgage-purchasing markets.

The Honorable Dennis DeConcini, a member of this Committee, has introduced S. 622 to require the Administrator of Veterans Affairs to submit an annual report to the Veterans' Affairs Committees of both Houses of Congress--a report to include: (1) a five-year plan for the construction and expansion of the National Cemetery System, (2) a priority listing of the ten geographic areas most in need of additional burial space, (3) an assessment of the desirability and feasibility of acquiring existing state cemeteries in those geographical areas, and (4) general plans for expansion of the National Cemetery System. Mr. Chairman, the voting delegates to our National Conventions have perennially passed a resolution calling for an open-national cemetery in every state. The current one is Resolution No. 624 which supports what the bill would eventually accomplish.

Mr. Chairman, allowing the use of upright grave markers in national cemeteries and designating sections in which only upright markers or flat markers shall be used is the purpose of S. 769 introduced by the Honorable Larry Pressler for himself and the Honorable James Abdnor. Mr. Chairman, we have two resolutions squarely addressing these issues at hand; namely: (1) Resolution No. 719 entitled "Upright Grave Markers for Black Hills National Cemetery" and (2) Resolution No. 775 entitled "Oppose the VA Policy which Provides for the Exclusive Use of Flat Grave Markers," which supports so much of S. 679 which would designate sections in national cemeteries for both upright and flat grave markers.

Mr. Chairman, Title VII of the Department of Defense Authorization Act, 1985, Public Law 98-525, is identified as the "Veterans' Educational Assistance Act of 1984." The purpose of this "peacetime GI Bill" is to attract and retain highly qualified young men and women in both the active and reserve forces by offering them financial assistance in obtaining a college education and, also, to assist in their readjustment to civilian life after separation from the armed forces. Legislation under consideration today introduced by the Honorable Alan Cranston and the Honorable William S. Cohen for themselves and one another, S. 1509 and S. 962, would amend present law to permit the pursuit of a program of education by correspondence in the first instance and provide for educational assistance for apprenticeship or other on-the-job training under the provisions of S. 962. Our VFW Resolution No. 708 entitled "Apprenticeship Training" urges amending the law as enunciated in S. 962 and we support advancement of S. 1509 since it is the only avenue open to some for advancing their formal education.

Mr. Chairman, the primary thrust of S. 1397 introduced by Senators Cranston, for himself, and Matsunaga and DeConcini is to prohibit by law the consolidation of claims file maintenance and adjudication capability of the 58 VA Regional Offices into three processing centers. Mr. Chairman, our VFW Resolution No. 751 entitled "Oppose Consolidation of VA Regional Offices" is in total opposition to any proposal to centralize veteran's claims processing services. In addition, our Commander-in-Chief, John S. Staum, recently put his stamp of approval on a priority goal which states: "...that at least one regional office be maintained in each state which has the capability of administering individual claim files and sufficient professional staff to adjudicate claims." Obviously, the VFW urges timely advancement and passage of S. 1397.

S. 1477 introduced by the Honorable John H. Chafee would amend 38 USC 903(b) by increasing the $150 plot allowance for veterans not buried in a national cemetery or another cemetery under the jurisdiction of the United States to $250. Although this would be a nice enhancement of burial benefits, it would be imprudent given our nation's current financial constraints. Reconciliation instructions under the budget resolution mandates the Veterans' Affairs Committees to advance legislation reflecting cost savings of $300 million in the fiscal year 1986. Eliminating the $150 plot allowance to save $51 million has already been cited as a possible savings, therefore, increasing the allowance to $250 for a total fiscal-year cost of approximately $85 million would only place this often much needed benefit in further jeopardy.

Mr. Chairman, H.R. 2344 passed by the House of Representatives on May 20, 1985, would make improvements in the National Cemetery System in providing assistance to certain disabled veterans in acquiring specially adapted housing and expresses the sense of Congress with respect to the Veterans Administration's home loan origination fee. First, the Act would provide for the orderly expansion of the National Cemetery System in much the same way as S. 622 upon which I previously commented. Secondly, it would require that upright grave markers be placed in national cemeteries unless the family requests a flat marker. Again, the position of the VFW with respect to grave markers was given earlier when addressing S. 769. Thirdly, it would establish a new national cemetery in Merced County, California, on 350 acres to be donated to the Veterans Administration; and, also, requires the Administrator to assess the desirability and feasibility of acquiring state veterans cemeteries. Mr. Chairman, there is no question that Northern California with a veteran population of 1.2 million needs an open-national cemetery. Fourthly, it expresses the sense of Congress that the one-percent loan fee paid by veterans for a home loan under the Veterans Administration's Home Loan Guaranty Program remain at its present level of one percent of the amount of the loan guaranteed; and, further, that the President should review the level of funding necessary to support the Veterans Administration's Home Loan Guaranty Program and, if additional funding for the program is required, should submit an amended budget request recommending additional appropriations for the program. Mr. Chairman, the VFW opposed this user's fee in the first instance and our current Resolution No. 654 entitled "VA Home Loan Guaranty Program," among other provisions, "adamantly opposes any effort to increase further the current user's fee." We view any user's fee as a discriminatory tax visited primarily upon Vietnam veterans and a detriment to both veterans and the home loan program.

The Administration's draft bill entitled the "Veterans' Housing Amendments Act of 1985" would repeal the authority of the Administrator to set maximum interest rates on VA guaranteed home loans and manufactured home loans; authorize negotiated interest rates; increase the user's fee from one percent to five percent or retain the one-percent user's fee provided the veteran makes a cash payment of at least five percent of the purchase price and obtains private mortgage insurance; eliminates the September 30, 1987, sunset on the user's fee.

Mr. Chairman, I am appalled that this Administration, or any Administration for that matter, would propose such legislation knowing in advance it would devastate one of the most successful and beneficial programs available to veterans. To date more than 11 million loans have been approved under the VA Home Loan Guaranty Program and some 64 percent without a down payment, something which is not generally possible with conventional loans. We are strongly against repealing the Veterans Administration's current authority to establish loan interest rates and to authorize instead negotiated interest rates. By so doing, the Administration would subject veterans to imperfect competition since nearly all young people including veterans are neophytes in the world of financial manipulation. Expounding further on the user's fee, holding it at one percent if at least a five percent down payment is made and private mortgage insurance is obtained negates the value of a veteran's program. The VFW opposes this Administration's draft bill in toto.

Mr. Chairman, the Administration's draft bill entitled the "Veterans' Educational Assistance Improvements Act of 1985" is an omnibus bill consisting of some 15 provisions as follows:

1. Sections 101 and 103 would authorize farm cooperative, apprenticeship or other on-the-job training programs under the post-Vietnam Era Veterans' Educational Assistance Program and, also, compute monthly benefits payable and entitlement charged in the same manner as for other forms of training. VFW supports these provisions.

2. Section 102 would extend the delimiting date for completing a program of education from ten years after the veteran's last separation from service by a period of time equal to that during which a physical or mental disability not the result of misconduct prevented commencing or completing the program of education within the veteran's delimiting period. VFW approves this amendment since such extensions are authorized under other Veterans Administration educational programs.

3. Section 104 would extend GI Bill benefits to those officers who graduated from one of the service academies in 1977 and entered on active duty prior to January 2, 1978. The rationale for this provision is to eliminate an inequity created by Public Law 94-502 which extended benefits to those individuals who contracted with the armed forces and were enlisted in or assigned to a reserve component prior to January 1, 1977, provided they entered on active duty on or before January 1, 1978, and served for a period of more than 180 days and were separated under honorable conditions. The VFW interposes no objection to so accommodating the small number of regular officers who will be able to avail themselves of this benefit prior to termination of the program on December 31, 1989.

4. Section 105 would amend 38 USC 1663 to require veterans rated incompetent by the Veterans Administration to receive mandatory educational and vocational counseling by a counseling psychologist prior to selection of an educational or training program under chapter 34, 38 USC. Since such counseling could only benefit the veteran, VFW interposes no objection.

5. Section 106 would eliminate the advance payment of 40 percent of the total amount payable to veterans participating in the Veteran Student-Services Program authorized by 38 USC 1685. The purpose of this amendment is to eliminate future overpayments which reportedly totaled $1.2 million in the fiscal year 1984 due in many instances to the veteran dropping out of the work-study program. Any program authorizing advance payment is ripe for abuse by those with such a proclivity; but, why deny funds to veterans who could not afford to participate in the program without some up-front money. The VFW opposes the total elimination of advance payments and suggests instead that a smaller percentage of the total amount be authorized to help defray necessary expenses of the veteran.

6. Section 107 would amend the Survivors' and Dependents' Educational Assistance under 38 USC 1712(b) by authorizing an eligible spouse or surviving spouse where delay has been encountered in determining the individual's eligibility to elect the most favorable date from which the 10-year eligibility period will commence and the individual receive benefits. The 10-year limitation under current law commences tolling after whichever of the following occurs last: (1) on the date the Administrator first finds the veteran from whom eligibility is derived has a service connected total disability permanent in nature, (2) the date of death of the spouse from whom eligibility is derived who died while a total disability evaluated as permanent in nature was in existence, or (3) the date on which the Administrator determines that the spouse from whom eligibility flows died of a service connected disability. The amendment would make provisions in cases where

training has already commenced but eligibility determination is delayed or the initial denial is subsequently overturned on appeal. VFW supports this change in present law.

7. Section 108 would eliminate the requirement that an educational plan be submitted by a parent or guardian on behalf of a child eligible to receive Survivors' and Dependents' Educational Assistance. VA counseling is available upon request if needed and an educational plan is merely enrollment data. VFW does not oppose this provision.

8. Section 109 is an amendment to 38 USC 1780(f) providing that payment of educational assistance allowances for less than half-time training may be made following receipt of institutional certification that the veteran has enrolled in and is pursuing a program of education. Under current law such payment is made the month following certification which in view of the new TARGET computer system capability actually impedes timely payments. We support this change.

9. Section 110 would bar the concurrent receipt of educational benefits under two or more laws. This is a technical amendment correcting an oversight in present law to which we interpose no objection.

10. Section 111 would amend 38 USC 1784(a) to permit educational institutions, with the consent of the veteran, to delay certifying enrollments of enrollees until the end of the term, quarter, or semester in the case of independent study or self-paced courses pursued on a less than half-time basis. We have no objection to this provision to reduce overpayments since implementation would only be with the student's consent.

11. Section 112 is similar to S. 1207 previously commented upon with respect to course-load measurements, attendance monitoring and pay periods for veterans enrolled in courses leading to a standard college degree (IHL) and non-college degree (NCD) courses.

12. Section 201 would repeal the authority of the Veterans Administration to make educational loans (including "accelerated payments"). VFW opposes the total elimination of educational loans and "accelerated payments" to veterans and other eligible persons. To foreclose these avenues of assistance could preclude deserving veterans from availing themselves of an earned benefit.

Mr. Chairman, your letter of invitation requested comment on a proposal not yet formally submitted to increase the estate limitation for hospitalized incompetent veterans without dependents from $1,500 to $8,000.

As is a matter of record, 38 USC 3203(b)(1)(A) stipulates that when such incompetent veteran's estate equals or exceeds $1,500, further payments of pension, compensation, or emergency officer's retirement pay shall not be made until the estate is reduced to $500. This restriction was imposed by Public Law 86-146 entitled "Veterans' Benefits--Incompetents" which was approved on August 7, 1959--26 years ago. Whereas $1,500 is an inadequate estate by today's monetary standards, $8,000 on the other hand is a tidy sum to be husbanded. We would suggest consideration be given to a lesser estate amount and increasing the estate's spend-down amount to a figure which would sustain the veteran until benefit payments are restored if no longer incompetent or to provide a proper burial upon death.

Your letter also requested comment with respect to a proposal to collocate five Veterans Administration Regional Offices on the grounds of VA Medical Centers.

According to information to which we have been made privy, space requirements for VAROs varies from a few hundred square feet in some locations to several hundred thousand feet in others. There also exists a similar disparity in costs per square foot for rental space which ranges from $3.25 to a current high of $24.25. Furthermore, the General Services Administration (GSA) has estimated its total Standard Level User Charge (SLUC) for the Department of Veterans' Benefits in the fiscal year 1985 will be $50,533,477. In addition, Mr. Chairman, there is a random listing of some 24 VAROs which could be seriously considered for collocation. The VARO at Milwaukee, Wisconsin, was relocated to the VAMC at Wood, Wisconsin, on November 21, 1983.

The obvious concern of the VFW, Mr. Chairman, is that there will continue to be at least one regional office in each state fully capable of adjudicating claims and readily accessible to claimants. While it is apparent that not all VAMCs embrace sufficient open land to accommodate the construction of a VARO and others may be too far removed from public transportation to lend themselves to collocation, the concept is highly meritorious and surely worthy of immediate, further exploration. As additional specific VAROs become imminent candidates for collocation consideration, we would appreciate the opportunity to comment thereon before the fact.

Mr. Chairman, between those Senate bills under consideration today, the one House passed bill, the Administration's draft bills and proposals not yet formalized, we have indulged in considerable redundancy and perhaps confused the issue. Therefore, permit me to reiterate the position of the VFW with respect to the following:

1. We expect the cost-of-living increase for compensation and DIC to be commensurate with the Consumer Price Index (CPI) and, under no circumstances, less than that granted beneficiaries under any other entitlement program.

2. We support an open-national cemetery in every state.

3. We believe, by priority goal, that the continued maintenance of at least one regional office in each state which has the capability of administering claim files and sufficient professional staff to adjudicate claims is imperative.

4. We seek the introduction and enactment of legislation that will serve to maintain the VA Home Loan Guaranty Program as the most viable and desirable means of home financing.

Cited resolutions are appended to my testimony, Mr. Chairman, and this concludes my presentation.

Resolution No. 744

RETAIN VA DATA PROCESSING CENTER AT FORT SNELLING

WHEREAS, the VA Data Processing Center at Fort Snelling is efficient and cost effective; and

WHEREAS, any move of the DPC from Fort Snelling will not be economical nor increase efficiency; and

WHEREAS, the DPC is a vital part of the Minnesota Regional Office; and

WHEREAS, the Minnesota Congressional delegation has directed the VA and Office of Management and Budget to report to Congress on the cost effectiveness of any VA move from Minneosta; now, therefore

BE IT RESOLVED, by the 86th National Convention of the Veterans of Foreign Wars of the United States, that we support the Congress in its move to have the Executive Department examine the cost-effectiveness of any move of the Minnesota VA Data Processing Center; and

BE IT FURTHER RESOLVED, that in the event any proposed move of the Minnesota VA Data Processing Center is not cost effective that the Congress halt any proposed move.

Adopted by the 86th National Convention of the Veterans of Foreign Wars of the United States held in Dallas, Texas, August 16-23, 1985.

Resolution No. 744

Resolution No. 604

AMEND TITLE 38, US CODE

WHEREAS, accredited institutions which offer both degree (IHL) and vocational (NCD) types of courses, maintain standards of quality that are equally applied and assured for each type of program; and

WHEREAS, veterans enrolled in each of these types of programs, through honorable service to this Nation, have earned the right to equal treatment under the law; and

WHEREAS, accredited degree granting institutions, in order to comply with Title 38, US Code, must adhere to regulations which discriminate against the veterans taking NCD courses by applying more stringent rules in course-load measurement, attendance monitoring and pay periods--all of which result in loss of money for these veterans as compared to their counterparts in IHL courses; now, therefore

BE IT RESOLVED, by the 86th National Convention of the Veterans of Foreign Wars of the United States, that Title 38, US Code be amended to ensure that veterans enrolled in NCD courses in accredited institutions which offer both NCD and IHL types of courses shall be subject to the same regulations mandated by Title 38, US Code for those veterans pursuing IHL courses.

Adopted by the 86th National Convention of the Veterans of Foreign Wars of the United States held in Dallas, Texas, August 16-23, 1985.

Resolution No. 624

TO PROVIDE FOR AN OPEN NATIONAL CEMETERY IN EVERY STATE

WHEREAS, there are many states and regions of the United States without an open National Cemetery facility; and

WHEREAS, Federal and State land ideally suited for cemetery development is available in many states; and

WHEREAS, veterans should be entitled to burial in a National Cemetery reasonably close to their homes; and

WHEREAS, VA's current policy of regionalization does not always assure that eligible deceased veterans can be interred close to their families; now, therefore

BE IT RESOLVED, by the 86th National Convention of the Veterans of Foreign Wars of the United States, that we support legislation to provide for at least one open National Cemetery in each state to assure that all veterans may be buried in a National Cemetery reasonably close to their homes.

Adopted by the 86th National Convention of the Veterans of Foreign Wars of the United States held in Dallas, Texas, August 16-23, 1985.

Resolution No. 624

Resolution No. 719

UPRIGHT GRAVE MARKERS FOR BLACK HILLS NATIONAL CEMETERY

WHEREAS, the Black Hills National Cemetery is located where the plains meet the hills of South Dakota separated by Interstate Highway I 90; and

WHEREAS, travelers may look upon the upright markers perfectly matched recognizing the resting place of those who have served their country; and

WHEREAS, flat markers will upset the symmetry of the cemetery; and

WHEREAS, many National Cemeteries do not have the option of expansion, and the use of flat markers will upset the symmetry of the cemeteries; and

WHEREAS, the use of flat markers may create maintenance problems where flat markers shift as the result of various weather conditions and cause damage to machinery; and

WHEREAS, dust, cut grass and long grass can cover such flat markers which would require individual grave attention including sweeping, washing and clipping around the grave; and

WHEREAS, option of the representative of the deceased veteran could cause confusion, can change their mind, can require reburials or affect the symmetry of the cemetery; and

WHEREAS, the South Dakota Senators have introduced S 769 to allow representatives of the deceased to request flat markers and to require the Administrator of Veterans Affairs to designate for the National Cemetery System a section for graves with upright markers and a section for flat markers; and

WHEREAS, the Veterans of Foreign Wars of South Dakota do desire all markers in the Black Hills National Cemetery should be upright to maintain the current beauty of the cemetery, and the ease to identify each marker at a distance; now, therefore

BE IT RESOLVED, by the 86th National Convention of the Veterans of Foreign Wars of the United States, that we oppose S 769; and

BE IT FURTHER RESOLVED, that Senator Pressler and Senator Abdnor be advised of our opposition to S 679; and

(Continued)

Resolution No. 719 - Continued

BE IT FURTHER RESOLVED, that said senators be requested to support legislation to provide only upright markers in the Black Hills National Cemetery.

Adopted by the 86th National Convention of the Veterans of Foreign Wars of the United States held in Dallas, Texas, August 16-23, 1985.

Resolution No. 719

Resolution No. 775

OPPOSE THE VA POLICY WHICH PROVIDES FOR THE EXCLUSIVE USE OF FLAT GRAVE MARKERS

WHEREAS, the VA has adopted the policy of the exclusive use of flat grave markers in our national cemeteries for the purpose of reducing procurement, installation and maintenance costs; and

WHEREAS, flat grave markers may only be properly and effectively employed in such climatic regions where they will not become buried in snow or otherwise rendered inaccessible, and where the type of ground does not provide an adequate foundation to sufficiently support an upright marker; and

WHEREAS, flat grave markers do not present the orderly and appropriately martial appearance of comrades in arms standing shoulder to shoulder as do upright markers and as preferred by the Veterans of Foreign Wars; and

WHEREAS, the policy of providing flat markers exclusively deprives veterans and their dependents of their due right to choice and that this policy is therefore prejudicial in the extreme; now, therefore

BE IT RESOLVED, by the 86th National Convention of the Veterans of Foreign Wars of the United States, that the policy of providing flat markers exclusively be immediately discontinued and that all national cemeteries be apportioned, with due consideration to climate and regional preferences, so that both upright and flat markers may be provided as dictated by the veteran's or his or her dependent's request; and

BE IT FURTHER RESOLVED, that all flat markers currently placed in national cemeteries now be subject to the election of upright markers and that if such an election is made that it be implemented expeditiously and with no expense or inconvenience for the elector.

Adopted by the 86th National Convention of the Veterans of Foreign Wars of the United States held in Dallas, Texas, August 16-23, 1985.

Resolution No. 775

Resolution No. 708

APPRENTICESHIP TRAINING

WHEREAS, the recently enacted Veterans Educational Assistance Act of 1984 does not provide for apprenticeship and practical on-the-job training, and since 1944 literally hundreds of thousands of veterans have received some form of training under the "GI Bills"; and

WHEREAS, historically, apprenticeship and practical on-the-job training is accepted as the most successful method of preparing quality job recipients and many areas of skill and training are not available in education institutions; and

WHEREAS, the cost of apprenticeship training has historically cost the government less and benefits accruing to American business and industry have been substantial; and

WHEREAS, the interests of all those not desiring institutional education would best be served; now, therefore

BE IT RESOLVED, by the 86th National Convention of the Veterans of Foreign Wars of the United States, that we urge the Congress of the United States of America to amend the Veterans Educational Assistance Act of 1984 to include apprenticeship and on-the-job training programs.

Adopted by the 86th National Convention of the Veterans of Foreign Wars of the United States held in Dallas, Texas, August 16-23, 1985.

Resolution No. 751

OPPOSE CONSOLIDATION OF VA REGIONAL OFFICES

WHEREAS, Veterans Administration Regional Offices were established to provide a more expeditious method of providing services to veterans, their dependents and survivors; and

WHEREAS, because of federal budgetary restrictions, VA Regional Offices are presently encountering difficulties in providing such services; and

WHEREAS, the consolidation of all Regional Offices would further inhibit and disrupt the Veterans Administration's ability to provide timely and responsible service to veterans; now, therefore

BE IT RESOLVED, by the 86th National Convention of the Veterans of Foreign Wars of the United States, that we oppose totally any proposal to centralize veterans' claims processing services.

Adopted by the 86th National Convention of the Veterans of Foreign Wars of the United States held in Dallas, Texas, August 16-23, 1985

Resolution No. 751

Resolution No. 654

VA HOME LOAN GUARANTY PROGRAM

WHEREAS, the VFW views the VA Home Loan Guaranty Program as one of the most successful and beneficial programs available to veterans; and

WHEREAS, the popularity of this program is evidenced by the fact that over eleven million loans have been guaranteed to date; and

WHEREAS, recent adverse economic conditions have forced many veterans into foreclosure proceedings along with placing the solvency of the VA Loan Guaranty Revolving Fund in jeopardy; and

WHEREAS, "user-fees" have been enacted and subsequently increased in an effort to remedy the ailing revolving fund; and

WHEREAS, various other proposals have emerged that would in all likelihood undermine the program and the Administrator's ability to manage said program; and

WHEREAS, constructive changes in the VA Home Loan Program, such as granting the VA Administrator the authority to (a) independently set VA Home Loan rates; (b) exercise greater latitude in establishing the VA home loan guarantee percentage/maximum amount; (c) authorize veterans the option to engage the service of buyer broker; and (d) amend the VA foreclosure policy so as to enhance the VA Loan Guaranty Revolving Fund, may strengthen that program; now, therefore

BE IT RESOLVED, by the 86th National Convention of the Veterans of Foreign Wars of the United States, that we seek the introduction and enactment of legislation that will serve to maintain the VA Home Loan Guaranty Program as the most viable and desirable means of home financing; and

BE IT FURTHER RESOLVED, that every effort be made to resist any adverse or discriminatory action which would undermine this valuable program or the veteran's ability to participate in it; and

BE IT FURTHER RESOLVED, that we adamantly oppose any effort to increase further the current user fee; and

BE IT FURTHER RESOLVED, that the Administrator of Veterans Affairs and other concerned parties be encouraged to actively assist veterans in maintaining their homes during economic crisis.

Adopted by the 86th National Convention of the Veterans of Foreign Wars of the United States held in Dallas, Texas, August 16-23, 1985.

Resolution No. 654

STATEMENT OF
JOHN F. HEILMAN
NATIONAL LEGISLATIVE DIRECTOR
DISABLED AMERICAN VETERANS
BEFORE THE
COMMITTEE ON VETERANS AFFAIRS
UNITED STATES SENATE
October 3, 1985

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

On behalf of the over one million members of the Disabled American Veterans and its Ladies Auxiliary, may I say that we appreciate being given this opportunity to participate in today's proceeding.

Mr. Chairman, in your September 11 and 17, 1985, letters of invitation to testify, you have solicited our views on some 20 bills and draft proposals which relate to a variety of VA benefit programs, including those of service-connected disability and death compensation, loan guaranty, education, national cemeteries and burials, as well as the issue of consolidation/collocation of VA facilities.

In view of the broad range of topics listed, I shall confine my remarks this morning to those matters of most concern to the DAV. I do understand that the hearing record shall remain open for additional comments and views that we may wish to submit on issues not covered in our prepared testimony.

BEST COPY

SERVICE-CONNECTED DISABILITY/DEATH COMPENSATION AND RELATED BENEFITS

Administration Draft Bill

Mr. Chairman, earlier this year, the Administration proposed an increase in VA service-connected disability compensation and Dependency and Indemnity Compensation (DIC) benefits via a draft bill entitled, "The Veterans Disability Compensation and Survivors Benefits Amendments of 1985."

Title I of this measure would authorize a 4.1% across-the-board increase in basic disability compensation and DIC benefit rates. This same percentage rate of increase would also be extended to the dependency allowances and, with one exception, to the special statutory awards and ratings that apply to the compensation and DIC programs, as well as to the VA's annual clothing allowance, payable to certain service-connected veterans whose prosthetic or orthopedic devices cause unusual damage to clothing.

The proposed increases carry an effective date of December 1, 1985, and would require approximately $342 million in new Budget Authority and $285 million in Budget Outlays during Fiscal Year 1986.

Put in more meaningful terms, Mr. Chairman, the benefit increases would range from an additional $24 per year ($2 monthly) for a veteran with a 10% service-connected disability to $636 more per year ($53 monthly) for a veteran who is determined to be 100%

totally and permanently disabled due to a service-connected disability.

Mr. Chairman, in any consideration of an increase in VA disability and death compensation payments, it is important to recall the principle upon which these programs were established:

> Disability compensation paid to veterans attempts to represent, to the most practical degree possible, the average impairment in earnings capacity caused by service-connected disability. DIC benefits, on the other hand, are intended to provide a measure of financial security to surviving spouses and children of veterans whose deaths are attributable to a service-connected disability.

Over the years, this Committee has been most diligent in its efforts to assure that the purchasing power of these benefits keeps pace with our society's rising cost of goods and services. The most recent adjustment of these rates authorized by Public Law 98-543 represented the eleventh consecutive year that your Committee has taken action on this most important issue.

Mr. Chairman, in examination of recent and projected inflationary growth, it is appropriate to note that while the most recent compensation/DIC adjustment authorized by Public Law 98-543 was 3.2%, VA nonservice-connected pension and death pension recipients and Social Security beneficiaries received a 3.5% benefit hike. Also, the actual rate of inflationary growth experienced in Calendar Year 1984 was 4%. These factors, combined with the advancement in the Consumer Price Index that has occurred and will occur during the remaining months of 1985, certainly justify the need for an upward adjustment in compensation and DIC benefit rates.

I do wish to make special note of the fact that in its provisions, the Administration's draft proposal does not increase the "k" award set forth in Section 314(k), Title 38, U.S. Code. This is a special monthly benefit--presently $62--paid in addition to the basic rates of compensation of certain veterans who have incurred a service-connected loss or loss of use of a single extremity or certain other body organs and functions.

This particular award has not always been included in prior compensation bills and was last increased to its present amount by Public Law 96-128, approved November 28, 1979. We therefore ask the Committee to include the "k" award in any compensation bill that it may recommend to the floor of the Senate.

I also wish to point out, Mr. Chairman, that the Administration's measure proposes [illegible] amounts resulting from computations of the proposed increase be "rounded down" to the nearest whole dollar. We prefer the long-standing approach taken by the Committee--rounding odd amounts either "up" or "down," as appropriate, to the nearest whole dollar.

In summation, Mr. Chairman, and subject to our exceptions as cited above, the DAV does support the Title I provisions of the Administration's draft proposal.

Titles II and III of the Administration's draft proposal contain the follow additional provisions:

Section 201 of the bill, through appropriate amendment of Section 3012(b), Title 38, U.S. Code, proposes a modification in the effective date for a reduction or discontinuance of disability compensation, pension or Dependency and Indemnity Compensation as based upon school attendance of a payee or a payee's dependent child.

Under current law, such reductions or discontinuances occur effective the last day of the month in which such school attendance is discontinued. The proposed change would require that such reductions or discontinuances shall occur effective the day following the last date of actual school attendance.

Section 202 of the draft measure, through appropriate amendment of Section 101, Title 38, U.S. Code, proposes to amend the definition of "active duty for training" in order to permit the full time operational duty performed by National Guard and Air National Guard personnel to be regarded as "active duty" for Title 38 benefit purposes.

Mr. Chairman, as we understand it, the term "active duty for training," though it does qualify Guard personnel for VA disability compensation benefits should they become disabled as a result of such training, does not now apply to other Title 38 benefits, primarily Home Loan Guaranty entitlement and health care services on a nonservice-connected basis. The proposed changes would so qualify such Guard personnel.

Section 203 of the draft bill, through amendment of Section 101(4)(b)(i) of Title 38, U.S. Code, proposes to change current law as it applies to the criteria governing recognition of a foreign adoption (of a child) for VA benefit purposes.

Specifically, the proposal would provide that a child adopted under laws governed by a foreign jurisdiction could not be considered the legally adopted child of a veteran for the purposes of benefit eligibility under Title 38, U.S. Code, unless the adoption occurred prior to the date of any disability compensation or pension entitlement established by the veteran. This change would only apply to an adoption finalized under laws of a jurisdiction other than a state, territory or possession of the United States, the District of Columbia, Puerto Rico or the Northern Mariana Islands, and only when the adoptee resides in a foreign jurisdiction.

Section 204 of the VA's measure, through appropriate amendment of Section 360, Title 38, U.S. Code, proposes to extend the principle of "paired organ involvement"--whereby certain veterans service-connected for a disability affecting a single eye, ear or kidney may receive additional benefits if they also suffer the nonservice-connected impairment of the remaining eye, ear or kidney--to include certain disabilities of the lung.

Finally, Section 301 of the draft measure, through appropriate amendment of Section 230(b), Title 38, U.S. Code, proposes to extend the authority of the Administrator of Veterans Affairs to maintain a regional office in the Republic of the Philippines until September 30, 1988 (current authority to do so expires effective September 30, 1985).

Mr. Chairman, with one exception, the DAV has no official position with respect to the above cited provisions of Titles II and III of the VA's draft bill. We do wish to comment on the proposal contained in Section 204 of the VA bill and our views are as follows:

As indicated earlier, Section 204 proposes to add certain disabilities of the lung to the concept of "paired organ involvement" as now embodied in Section 360, Title 38, U.S. Code.

Mr. Chairman, though the Disabled American Veterans does not have a specific National Convention mandate on this particular issue, by authority of our organization's Constitution and By-Laws which require the DAV to "advance the interest and work for the betterment of all wounded, gassed, injured and disabled veterans," I can inform you that we do support this liberalization of law.

In fact, as you consider the VA's proposal, we urge that the Committee also consider including the loss of "paired extremities" for coverage under Section 360.

Before proceeding further, Mr. Chairman, perhaps a brief history of Section 360 is in order to more fully acquaint the Committee with the concept of paired organ involvement and functional loss as it now applies to the disabilities of loss of eyesight, kidney function and hearing.

Public Law 87-610, enacted August 28, 1962, provided the original statutory authority for the paired organ concept. At that time, it was recognized that a veteran who losses an eye or a kidney as a result of military service, and who subsequently suffers the nonservice-connected loss of the second eye or kidney does, in fact, have a total loss of function that would not exist were it not for the original service-connected disability. Therefore, it was justly determined that our government has a moral responsibility to compensate the veteran for that total loss, that is, to provide a rate of disability compensation payments commensurate with the amount that would apply if both disabilities were originally service-connected.

At the time the original law was being considered by the Congress, the Veterans Administration strongly supported placing Section 360 in the statute books. In fact, it was the VA's suggestion that the loss of the kidney should be included in the original bill, which, when introduced, applied only to blindness.

In 1965, through the enactment of Public Law 88-311, the principle of paired organ involvement was extended to include the disability of total deafness. The VA also supported this liberalization, stating to the Congress:

> This proposal recognizes the additional disability attendant on a nonservice-connected loss of function of a second paired organ...we do not believe, in light of this fact, that the proposal constitutes an unreasonable liberalization of existing law....

Mr. Chairman, the VA's pending proposal is to apply Section 360 in those cases where a veteran has incurred a 50% or more service-connected disability in one lung and subsequently develops a nonservice-connected condition in the remaining lung, which, in combination with the service-connected lung, is totally disabling.

Given the background of the statute as described above, the VA's proposal can be viewed as a logical, justifiable extension of current law. As indicated earlier, the DAV believes Section 360 should also apply to paired extremities--those cases where a veteran is service-connected for the loss or loss of use of a single arm or leg and subsequently incurs the nonservice-connected loss or loss of use of the remaining paired extremity.

Mr. Chairman, it is certainly pertinent to mention that the House Veterans Affairs Committee and the entire membership of the House has given prior, favorable consideration to this issue.

In May of 1977 (First Session of the 95th Congress), acting on the recommendation of the Veterans Affairs Committee, the full House gave overwhelming approval to H.R. 6501, a measure that proposed to add the loss of paired extremities for coverage under Section 360. However, primarily due to VA opposition, an alternative approach to the issue was taken (Section 314(t), Title 38, U.S. Code) and H.R. 6501 did not receive full Congressional approval.

Obviously, Mr. Chairman, the VA's current initiative to place disabilities of the lung in Section 360 represents an admission on their part that the concept of paired organ involvement and functional loss is in need of further liberalization.

We agree.

Mr. Chairman, together with disabilities of the lungs as specified by the VA, we urge the Committee to favorably consider amending Section 360 to include the loss or loss of use of paired extremities. If the Committee should agree, we further recommend that such modification of law be accompanied by the simultaneous repeal of the language now contained in Section 314(t), Title 38, U.S. Code--that portion of law which presently addresses (we believe, inadequately) the issue of paired extremity losses.

I can inform you, Mr. Chairman, that the House of Representatives has again acted favorably on this proposal through the passage of H.R. 2343. I can also state that such a liberalization of law would require insignificant federal expenditures. Since the current Section 314(t) award was created in 1978, only 64 veterans have established entitlement to additional compensation benefits due to paired extremity losses. Also, I wish to point out that the majority of these veterans incurred their original extremity loss as a result of combat against enemies of the United States.

S. 85

Mr. Chairman, the bill S. 85 is not included on today's hearing agenda. However, its goal is an important objective of our organization and I have therefore included comments on it in my testimony.

S. 85 was introduced in the Senate by a distinguished member of this Committee, Senator Deconcini, and it is in direct response to a mandate that has been approved by the delegates to the DAV's most recent National Convention (and several prior National Conventions). In essence, S. 85 calls for the establishment of a more equitable formula on which to base payments under the Veterans Administration's service-connected death benefit program.

Mr. Chairman, as you and the Committee are aware, a VA service-connected death benefit--Dependency and Indemnity Compensation (DIC)--is generally paid to an eligible surviving spouse if the veteran's death was not the result of misconduct and if it was attributable to a service-connected disability.

The concept of service-connected death benefits for survivors of American military personnel is as old as our country--indeed, older, for such payments were in existence in Colonial times some 100 years before the Revolutionary War. And while it is not my intention to delve into the history of these benefit payments during today's hearing, I have provided, as an addendum to my statement, a brief historical perspective which I believe the Committee will find useful.

Mr. Chairman, under present law (Section 411, Title 38, U.S. Code), DIC monetary rates are based upon the military rank of a serviceperson at time of death, if death occurred on active duty, or the rank of a serviceperson at time of military discharge, if death occurred subsequent to active duty.

There are at present some 23 separate and distinct DIC rates under the formula which governs payments. They range from a low of $476 per month for the widow of a private (paygrade E-1), to $1,217 per month for the widow of a four-star general/admiral (paygrade O-10). (Two additional higher payments are authorized in cases where the veteran served as the senior non-commissioned officer of any one of the uniformed services, or if the veteran occupied the top post in the Army, Navy, Air Force, or Marine Corps.)

Mr. Chairman, without going into great detail, I believe that it can be generally stated that, aside from the obvious moral obligation, the purpose of DIC payments to survivors is twofold: first, to provide a measure of financial security to survivors in view of the service-related death of the "breadwinner" head of household and, secondly, to provide such payments commensurate with the "lifestyle" or standard of living of the family itself.

Having stated this, I wish to direct your attention to a basic flaw of the current formula which, we believe, provides discriminatory payments to a majority of widows presently on the rolls.

In terms of post-service deaths, the severity of service-connected disabilities that have been carried throughout a lifetime does have an influence on family income and the size of estates left by deceased veterans. Therefore, we believe the amount of DIC extended to widows should be related to the severity of disability at time of death. Under the current rank-based formula, the percentage of service-connected disability at time of death has no bearing whatsoever on benefit payments.

Addressing this post-service death inequity, which, as stated above, applies to a majority of DIC widows, the DAV has devised a modification of the current formula as specified in the pending bill.

Under the provisions of S. 85, the current rank-based formula for in-service deaths would be essentially kept in place (our bill would provide an additional "add on," based upon length of service). For post-service deaths, Mr. Chairman, the measure would authorize that DIC payments be tied to the percentage of service-connected disability (of the veteran) at time of death--the greater the degree of disability, the greater the monthly benefit to the widow.

Under the terms of the bill, no change would be made in the present DIC rate for minor children or children alone. Also, the post-service death formula would not apply to "temporary" disability ratings. DIC beneficiaries on the rolls prior to the effective date of the bill would be "grandfathered" to the current formula, with a one-time, irrevocable option to elect to receive benefits under the new plan. All DIC awards adjudicated by the VA after the effective date of the bill would only be under the new proposal.

Mr. Chairman, we realize that change in the current DIC program is a complicated issue, one that is fraught with emotion. We also realize that other veteran and military/widow organizations have proposals and suggestions of their own as to how necessary program modifications should be achieved. And, while we believe that our proposal is one that first guarantees protection of existing benefit levels to current beneficiaries and, at the same time, provides to the greatest number of present and future DIC recipients a more equitable distribution of payments, the DAV is certainly willing to consider the ideas and options of all other interested parties.

Mr. Chairman, we urge the Committee to give serious, favorable consideration to reform of the current DIC program as proposed by the pending bill.

S. 965 and S. 1602

Mr. Chairman, the bill S. 965 (introduced by Senator D'Amato) and the bill S. 1602 (introduced by Senator Specter for himself, you and Senator Rockefeller) are identical in nature and propose, through appropriate amendment of Section 801(b)(1), Title 38, U.S. Code, to remove an inequity in the VA program that provides assistance to certain seriously disabled service-connected veterans in acquiring specially adapted residences.

As you know, Mr. Chairman, current law (Section 801(b), Title 38, U.S. Code) provides the VA with authority to assist certain blinded veterans and veterans who suffer the loss or loss of use of both upper extremities in acquiring special adaptations to their homes as may be necessary due to their service-connected disabilities. This assistance is in the form of a one time monetary grant, not to exceed $6,000, for the cost of such adaptations.

Unfortunately, this provision of law, as presently written, denies eligible veterans assistance when purchasing a home that has already been adapted with the required special features. Certainly, this inequity should be remedied.

Therefore, Mr. Chairman, the DAV does support favorable consideration and passage of the goal sought by the pending bills.

S. 966

Mr. Chairman, the bill S. 966, introduced in the Congress by Senator D'Amato, proposes, through appropriate amendment of Chapter 19, Title 38, U.S. Code, to authorize a program of VA Mortgage Protection Life Insurance to certain veterans who are service-connected disabled at a rate of 80% or more and who are able to demonstrate (to the VA) that they are unable to obtain similar, commercial insurance coverage due to their service-connected disabilities.

Mr. Chairman, Section 806 of Title 38, U.S. Code, authorizes the VA Administrator to purchase from commercial life insurance companies mortgage protection life insurance policies, on a group basis, for those service-connected veterans who have purchased housing under Section 801(a), Title 38, U.S. Code--the VA's Specially Adapted Housing Program.

Under present law, such permanently and totally disabled service-connected veterans are granted Mortgage Protection Life

Insurance not to exceed $40,000 or the amount of the mortgage, whichever is the lesser. The maximum insurance liability is reduced as the mortgage is amortized and is only available to the holder of the mortgage. No insurance is payable if the mortgage is paid off prior to the death of the veteran or if the veteran is age 70 years or older.

Generally, such veterans' Mortgage Life Insurance is provided to these severely disabled veterans on a cost-sharing basis--with the federal government covering the increased cost of such insurance that is based upon the veteran's service-connected disability.

As stated, Mr. Chairman, the $40,000 Mortgage Protection Life Insurance in only available to eligible service-connected veterans who have purchased a home under the VA's Specially Adapted Housing Program. It is not made available to any other category of severely disabled service-connected veteran.

Mr. Chairman, a resolution approved by the delegates to our most recent National Convention proposes to extend VA Mortgage Protection Life Insurance to service-connected veterans rated permanently and totally disabled--but who are not eligible under the VA's Specially Adapted Housing Program as contained in Section 801(a), Title 38, U.S. Code.

Mr. Chairman, in testifying before the Congress prior to the enactment of Public Law 92-95, which created the current Mortgage Protection Life Insurance program, the Veterans Administration pointed out:

> Few, if any, of these veterans can obtain mortgage protection life insurance from commercial sources. These veterans have suffered greatly and deserve our most sympathetic understanding and consideration. Viewing these facts alone, the bill would appear to warrant favorable consideration.

We believe this same reasoning applies to the category of veterans addressed in the pending bill. Though not totally disabled, they may well be excluded from the commercial life insurance marketplace because of their disabling service-connected conditions. Therefore, in view of the similarity between S. 966 and our own National Convention mandate, the DAV does urge favorable consideration of this proposal.

Mr. Chairman, in discussing the VA's Mortgage Protection Life Insurance program, we feel compelled to comment on one other issue of concern to the DAV--an issue that has been addressed by the delegates to our most recent National Convention.

As you are aware, Section 806, Title 38, U.S. Code, provides, among other things, for the termination of VA Mortgage Protection Life Insurance whenever one of the following first occurs:

1. satisfaction of the veteran's indebtedness under the loan upon which the insurance is based;
2. the veteran's 70th birthday;
3. termination of the veteran's ownership of the property securing the loan;

4. discontinuance of payment of premiums by the veteran; or
5. discontinuance of the entire contract or agreement.

Most of the reasons set forth in the Section for the termination of VA Mortgage Protection Life Insurance are, understandably, necessary. However, we are quite concerned with the requirement that terminates this coverage to severely disabled service-connected veterans solely because of age (No. 2 above).

Quite frankly, Mr. Chairman, we believe this provision of Title 38, U.S. Code has created an anomaly that unfairly treats similarly situated, severely disabled service-connected veterans in a dissimilar manner insofar as the award of benefits is concerned. Nowhere else in Title 38, U.S. Code do we find a provision that links age as a factor in the award or discontinuance of benefits provided to service-connected disabled veterans.

Mr. Chairman, because of the serious impact this provision has had upon certain service-connected disabled veterans and their families, we strongly urge you and the members of the Committee to take the necessary steps to correct this inequity. Furthermore, we believe the change to correct this inequity should be made retroactively, thereby enabling those who have lost entitlement to VA Mortgage Protection Life Insurance because of age the opportunity to reapply for this coverage.

Estate Limitation for Incompetent, Institutionalized Veterans

Mr. Chairman, you have requested our views on a proposal to "increase the estate limitation for hospitalized, incompetent veterans without dependents from $1,500 to $8,000." No specific bill was mentioned in your invitation to testify, nor was any bill or draft proposal provided to us subsequent to your initial letter.

However, Mr. Chairman, you are obviously referring to Section 3203(b)(1)(A) of Title 38, U.S. Code, which presently provides that when a veteran is without dependents, is incompetent and institutionalized at government expense and such veteran's estate equals or exceeds $1,500, further payments of compensation, pension or emergency officers' retirement pay shall cease until the value of the estate has been reduced to $500.

Mr. Chairman, though we have no specific proposal upon which to comment, we do encourage the Committee to give serious consideration to raising the above-cited estate limitation.

VA HOME LOAN GUARANTY PROGRAM

Mr. Chairman, you have requested our views on several legislative proposals relating to the VA's Home Loan Guaranty Program. Also, you have requested us to comment upon the report of the VA Task Force of the Mortgage Banker's Association of America.

With regard to the important issues facing the VA Home Loan Guaranty Program today, we wish to state the following:

There is no doubt that the VA Home Loan Guaranty Program--the purpose of which is to assist eligible veterans in obtaining mortgage credit for a home purchased with no downpayment--has been a solid investment in America.

By assisting millions of veterans in acquiring a home, the VA's Home Loan Guaranty Program has added stability and expanded the tax base of nearly every community of our country.

Veterans' use of the VA Home Loan Guaranty Program--like private sector housing programs--is subject to and directly related to general economic conditions and, more specifically, to conditions in the financial and housing markets.

As we are all aware, within the past several years, the housing and financial markets have experienced shortages of mortgage funds, increased home prices and ownership costs, as well as realized the highest interest rates in history. Additionally, the same period was marked by unprecedented rates of high unemployment.

Veterans, like all Americans, have been adversely affected by these economic conditions. As a result, there has been a dramatic decline in the number of home loans guaranteed by the VA (Fiscal Year 1982 was the lowest since 1944), accompanied by an equally heavy increase in home loan defaults and subsequent foreclosures.

Fortunately, those economic conditions have abated somewhat and mortgage funds are generally more available, interest rates are down from their record-breaking high in Fiscal Year 1982 and home prices have remained relatively stable. Additionally, the high rates of unemployment have also been reduced significantly.

Unfortunately, however, the VA Home Loan Guaranty Program continues to experience unusually large numbers of foreclosures that have adversely impacted upon the Loan Guaranty Revolving Fund. And, due to the continued large number of foreclosures, the Congress last year found it necessary to approve supplemental appropriations in order to replenish the depleted Loan Guaranty Revolving Fund.

Subsequently, the Congress further addressed the dilemma of the Loan Guaranty Revolving Fund by enacting legislation (Public Law 98-369) that increased the users fee from .5% to 1%, required the fee to be deposited in the Loan Guaranty Revolving Fund and extended authority to collect the fee through September 30, 1987. These provisions, together with others contained in Public Law 98-369 pertaining to the acquisition of properties and vendee loans, all became effective over the past 13 months.

Quite frankly, Mr. Chairman, the DAV is most disturbed by recent disclosures of the VA's Office of the Inspector General concerning the mobile home industry "kick-back" scheme, the "equity skimming" scheme in Southern California and the report of an audit of the VA appraisal system in Indianapolis, Indiana and Camden, New Jersey areas.

This latter report reveals that of 8,700 residential loans guaranteed by the Indianapolis Regional Office during the period October 1, 1981 through December 31, 1984, 2,631 of the loans defaulted and 60% (1,576) were worth less at foreclosure than at loan origination--with 319 of these defaults decreasing at least 20% or more in value.

Furthermore, during the ongoing investigation in the Camden, New Jersey area by the VA, the Department of Housing and Urban Development's (HUD) Office of Inspector General and the Federal Bureau of Investigation (FBI), identified approximately 50 highly inflated and 10 false appraisal reports that were processed through the VA system and converted to HUD insured loans.

During this investigation, several realtors, real estate investors and developers were interviewed and questioned as to why VA fee appraisers were used when they knew that these properties were going to be sold using the FHA insured mortgages. In responding to this question, these individuals indicated that the VA fee appraisers were "easier" and cause them less problems. One realtor stated that he favored the VA appraisal system because if the appraisal was converted to an HUD insured mortgage, there was little chance of the property receiving any VA staff review. The

Inspector General's review of 500 VA basis appraisals in Camden confirmed that none had received a VA staff review.

This report further indicates that of 43 properties reappraised by a VA appraiser and construction analyst, inflated appraisal amounts ranged from $2,200 to $10,400 per property and 10 properties were totally worthless (gutted) and were originally appraised by a VA fee appraiser to be worth between $24,000 and $33,000.

The Inspector General's report also points out that as a result of the decrease in value of these properties, the VA paid higher claim amounts than necessary, thus causing a greater indebtedness for the veterans who lost their homes through foreclosure.

Mr. Chairman, we are also greatly disturbed by an article published August 12, 1985 in Forbes magazine in which it is reported, "A VA insider estimates one-third of the 2,500 VA foreclosures last year involved some sort of fraud, ranging from falsification of homebuyer's creditworthiness to overvaluation of properties."

This same article revealed, "In the words of one veteran thrift chairman, 'The real estate business has always been a dirty business.'" The article further stated, "The danger has always existed of a real estate broker's eyeing a $12,000 commission on a

$200,000 home sale and helping the prospective buyer's credit look better than it was, or helping to phony the real downpayment, or, (aided by a dishonest property appraiser), overvaluing the home."

It is evident, Mr. Chairman, that veterans--who are making the largest financial investment most of them will ever make--are prey to unscrupulous, scheming individuals and companies who seek to profit illegally at their expense.

Mr. Chairman, we are also concerned with the VA's process of guaranteeing loans. As we understand it, the VA has no standard guideline to ensure that only creditworthy veterans receive loans. Also, there is no system that identifies loan applications, submitted to the VA through the prior approval basis, that have been previously denied by lenders utilizing the "automatic approval" program.

This, Mr. Chairman, creates a situation whereby veterans who have had their loans rejected by VA lenders using the "automatic program" have resubmitted loan applications to another VA authorized lender who, in turn, approves the veteran's loan or submits it to the VA on a prior approval basis.

We believe the absence of a system to identify previously rejected loans, combined with the absence of a reasonable credit standard, adds to the high rate of defaults by veterans.

Yes, Mr. Chairman, it is clear that there are individuals and companies who wish to illegally profit at the expense of veterans and the VA. Therefore, we feel that further steps need to be taken to ensure the solvency and integrity of the VA Home Loan Guaranty Program, as well as assure that creditworthy veterans who wish to purchase a home utilizing this program can do so.

Mr. Chairman, we definitely believe there is a need for administrative and/or legislative improvements that could result in substantial savings for veterans and the Loan Guaranty Revolving Fund. This is especially true if: collected debts and fines imposed for violations of law were deposited in the Loan Guaranty Fund; foreclosure actions were completed in a timely manner; only creditworthy veterans were approved for loans; veterans in default were to receive greater assistance in counseling from the VA; and a strict, uniform system of guidelines were developed for VA fee appraisers.

Mr. Chairman, we urge you and the members of this Committee to take whatever action necessary to assure that our nation's veterans continue to have the benefit of a well-managed and financially sound VA Home Loan Guaranty Program.

NATIONAL CEMETERY AND BURIAL BENEFITS

H.R. 2344

Mr. Chairman, you have requested our views on H.R. 2344, the Veterans Housing and Memorial Amendments Act of 1985, a House passed bill which proposes, among other things, to:

1. direct the "orderly" expansion of the VA's National Cemetery System by requiring the VA to submit yearly (on July 1st) a five year plan for the construction and expansion of the system, listing in order of priority the ten geographic areas in the United States in which the need for additional burial spaces is greatest;
2. require the placement of upright grave markers in VA national cemeteries, however, allowing a choice for markers by designating certain portions of national cemeteries for use of flat markers or upright markers; and
3. direct the establishment of a national cemetery in Merced County, California.

Mr. Chairman, the DAV supported Congressional passage of H.R. 2344 during the course of its consideration by the House of Representatives. Therefore, and in view of the similarity of provisions, the DAV does support favorable action on:

1. S. 622, a bill introduced in the Congress by Senator Deconcini, which would require the VA Administrator to transmit certain annual reports to the Congress to facilitate the orderly expansion of the National Cemetery System; and
2. S. 769, a bill introduced in the Congress by Senators Pressler and Abdnor, which proposes to authorize the use of upright grave markers in the National Cemetery System.

With respect to S. 1477, a bill introduced in the Congress by Senator Chafee, which proposes to increase the VA's burial plot allowance from its present $150 to $250, the DAV, in accordance with a resolution approved by the delegates to our most recent National Convention, does urge favorable consideration.

CONSOLIDATION/COLLOCATION OF VA FACILITIES

S. 1397

Mr. Chairman, the measure S. 1397, the Veterans Administration Reorganization Act of 1985, was introduced in the Congress by

Senator Cranston and cosponsored by Senators Matsunaga and Deconcini.

Through expression of "Congressional Findings" and appropriate amendment of Title 38, U.S. Code, this bill proposes to:

1. declare that the February 1, 1985 letters from the VA to the Veterans Affairs Committees regarding the proposed consolidation of VA Department of Veterans Benefits (DVB) facilities failed to comply with the requirements of Section 201(b)(2)(A), Title 38, U.S. Code, and, therefore, any action to initiate such consolidation by the VA in Fiscal Year 1986 is prohibited;
2. clarify, in great detail, what is meant by the terms "detailed plan" and "justification" as specified in Section 201(b)(2), Title 38, U.S. Code; and
3. allow the VA to proceed with a proposed reorganization within the Department of Medicine and Surgery with respect to the functions of the Technology and Performance Evaluation Section of the Information and Education Service at the VA's Prosthetic Center in New York, New York, to a new Prosthetics Assessment and Information Center (PAIC) in the vicinity of Washington, D.C. (notwithstanding the provisions of Section 201(b)(2), Title 38, U.S. Code).

Mr. Chairman, the DAV strongly supports favorable action on S. 1397. And, may we add, that it is indeed a sad state of affairs that persistent, unwise and unjustified efforts on the part of the Office of Management and Budget (OMB) to emasculate VA regional offices has necessitated this type of legislative response.

VA regional office consolidation was proposed by OMB four years ago and was flatly rejected by the Congress at that time, being recognized as an anti-agency, anti-veteran proposal that would disrupt efficient delivery of benefits and services, destroy the due process rights of VA claimants and bring total disarray to the VA benefit system.

Indeed, the Congress responded to OMB's thinly disguised attempt to dismantle the VA through administrative action by statutorily requiring (in Section 2(e)(1) of Public Law 97-452) that, before any major reorganization of VA offices or functions can take place, the Administrator must first submit to the Congress, concurrently with such a proposal, a detailed plan and justification for such reorganization.

Yet, as stated above, OMB has persisted.

In the current Fiscal Year 1986 VA budget request, consolidation of major VA regional office functions was again proposed and the agency, under obvious duress from OMB, is proceeding on the assumption that such reorganization will occur (witness the agency's submission of a reorganization plan and justifications that are so clearly lacking and not in compliance with the above-cited law).

Clearly, Mr. Chairman, the integrity and existence of our VA regional office system is in need of further protection. We therefore urge favorable action on S. 1397 by the Committee.

Mr. Chairman, you have also requested our views on a proposal to develop, in Fiscal Year 1986, plans to "collocate five regional offices, to be determined by the Administrator, on the grounds of VA medical centers."

Such a proposal was not detailed in your September 11, 1985 letter of invitation to testify, nor was it included in subsequent material received from your Committee. However, I can inform you that the DAV, during the May 22, 1985 hearing conducted by the House Veterans Affairs Committee, did go on record as being favorably disposed to the consideration of collocating VA regional offices on VA medical center grounds, so long as each proposed collocation is thoroughly assessed to determine feasibility in terms of timely and efficient service to our nation's veterans, their dependents and survivors. Potential savings, while an important factor, cannot be the sole or overriding criterion on the issue of collocation.

* * *

This concludes my statement, Mr. Chairman, I will be pleased to respond to any questions you and the members of the Committee may have.

HISTORICAL PERSPECTIVE OF SERVICE-CONNECTED DEATH BENEFITS

(Source -- House Committee Print #80, 95th Congress, 2nd Session, VA Evaluation of Benefits Under The DIC Program.)

* Veterans' benefits in the U.S. began in colonial times. In the 1670's the colonial legislatures of Maryland and Virginia passed laws authorizing "death pensions" for widows of militiamen who died fighting Indians. By the time of the Revolutionary War, a colonial system of veterans' and widows' benefits was in place.

* By virtue of a 1780 Act on the part of the Continental Congress, widows' death benefits based on the pay/rank of officers (not enlisted men) were authorized. It was not until 1836, by Act of the U.S. Congress, that death benefits were authorized for widows of enlisted personnel also. The payments were still based on rank/pay.

* The next major legislation occurred in 1861, when a law was passed authorizing widows of those killed in the Civil War (Union) to receive a $100.00 lump sum payment. In 1862 the one lump sum payment was done away with and a law was passed (known as the "General Law") authorizing payments (based on pay/rank) ranging from $8.00 per month for widows of a private, to $30.00 per month for Lieutenant Colonels and above. This same law also (for the first time) authorized death benefits for widows of veterans who died from service-connected disabilities, after discharge from service. In 1866 a law was passed authorizing $2.00 per month additional benefits for dependent children under age 16. The "General Law" remained in effect, more or less, through the Indian Wars, Spanish American War and Mexican Border Conflict.

* World War I saw the War Risk Insurance Act of 1917 passed. A debate occurred during consideration of this legislation concerning whether or not widows' death benefits should still be based on rank/pay or be extended in flat rate. The flat rate concept won and the War Risk Insurance Act authorized a flat rate of $30.00 per month for all widows whose husbands died in service (or post service from service-connected disabilities).

* One of the Economy Acts in the early 1930's made a distinction between a wartime service-connected death and peacetime service-connected death, authorizing a flat payment of $30.00 per month for a wartime service-connected death and a flat payment of $22.00 per month for peacetime service-connected death. In the late 1930's an "age factor" was added. This change (for wartime service-connected benefits) authorized $30.00 per month for widow under age 50, $35.00 per month for widows between age 50 and 64 and $40.00 per month for widows over age 65 (the peacetime payment was $22.00, $26.00, and $30.00). In 1940, the age factor was eliminated and flat rates of $75.00 per month for a wartime service-connected death and $60.00 per month for a peacetime service-connected death were authorized .

* An Act in 1954 authorized payments of $87.00 per month for a wartime service-connected death and $69.60 per month for a peacetime service-connected death.

* In 1957, The Congress enacted legislation authorizing the Dependency and Indemnity Compensation (DIC) Program as we call it today. This Act still retained the flat rate approach ($112.00 per month) but added an additional amount of 12% based on a formula involving military pay of the veteran and length of service. The formula was quite complicated and, this fact, plus the military pay raises that occurred during the 1950's and the 1960's, led to over 220 separate DIC payments with a wide disparity in amounts authorized (widows of lower ranking enlisted received less proportionate COLA adjustments).

* In 1969, by act of Congress, the military pay and length of service add-ons were eliminated and the present rank-based formula was put in place.

VETERANS ADMINISTRATION
Regional Office and Insurance Center
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OCT 1 4 1985

310/290B

Mr. John F. Heilman
National Legislative Director
Disabled American Veterans
807 Maine Ave., S.W.
Washington, DC 20024

Dear Mr. Heilman:

At the recent Senate hearings you were asked to provide information regarding the costs associated with eliminating the Veterans Mortgage Life Insurance (VMLI) age 70 delimiting date for coverage. As I promised, here is the information that we have developed in this regard.

Our Actuarial Staff has determined that approximately 36 insured individuals reach age 70 each year and have their VMLI terminated by law. If the age 70 cap were removed, the first year cost would be approximately $210,000, and the ultimate annual cost, which would be reached within a few years, would be $700,000. This cost is based on the assumption that the average initial amount of VMLI coverage is $30,000. If the average amount were $40,000, the ultimate yearly cost would be about $900,000.

The above cost assumes that those individuals currently beyond age 70 would not be allowed back in the program. If they were allowed to reobtain their VMLI coverage, there would be an additional first year cost of $300,000, which would reduce gradually over a period of years.

There is one additional consideration. Since one of the factors on which premium rates are determined is duration of coverage, an extension of VMLI beyond age 70 would cause an increase in the premium rate for all insureds, including those currently insured, whose mortgage runs beyond age 70. Generally, the premium increases would range from about a 5 percent increase for 50 year olds to a 40 percent increase for those individuals who are 65 years old.

Finally, it should be noted that all the costs cited here are net of premiums. That is, they are the remaining costs to the Government after premium receipts are taken into consideration.

If you need any further information we would be glad to try and provide it.

Sincerely yours,

ROBERT W. CAREY
Director

BEST COPY

STATEMENT OF

DAVID J. PASSAMANECK
Lt. Col., USA, Ret.
National Legislative Director

BEFORE : U. S. Senate, Committee on Veterans' Affairs

TIME & PLACE : 9:30 A.M. - October 3, 1985 - Room SR-418

SUBJECT : S.9, S.399, S.622, S.769, S.962, S.965, S.966, S.1207, S.1397, S.1477, S.1509, S.1602, H.R. 2344 and Administration Draft Bills on Compensation and Survivor Benefits; Loan Guarantee; Educational Assistance and other matters.

Mr. Chairman, AMVETS is pleased to present its views on the bills and other matters enumerated in your invitational letter of September 11, 1985, which I will discuss with some variance, in the order set forth in the invitation.

S.9, introduced on behalf of the Ranking Minority member of this Committee by the Minority Leader, authorizes the VA to Guarantee variable rate mortgages, and increase the maximum allowable from $27,500 to $35,00. The bill also increases the allowable limits of direct loans for housing. AMVETS believes that the proposed increases in the allowable loan guarantee and direct loan limits realistically takes cognizance of the inflated real estate market and represents a timely and needed improvement in this crucial veterans entitlement. We respectfully demur from that portion of S.9 which authorizes the guarantee of variable rate mortgages. Although variable rate loans did capture the imagination of a segment of the mortgage banking business when interest rates were soaring some years ago, it appears that the revenue and fiscal policies of the current Administration have at least leveled interest rates, if not nudged them downward. It does not therefore appear to be necessary to subject the veteran buyer to the risks of increasing indebtedness and payments, most of which may well become due in the veteran's senior years when his or her earning capacity is expected to be lowered. Although S.9 does not compel guarantee of variable rates, experience has taught us that when legislative authority is granted, the pressures from interest groups, particularly, as in this case, the mortgage banking industry soon convert a permissive option to a requirement. There is a strong probability that if guaranteed variable rate loans are available, they will soon drive fixed rate loans out of the market, to the detriment of the veteran.

The late Carl T. Hayden was a distinguished son of the Grand Canyon State and a consistent champion of veterans. The VA Medical Center in Phoenix could well and proudly bear his name, and AMVETS heartily supports S.399, introduced by Senators DeConcini and Goldwater to accomplish that purpose.

S.622, introduced by Senator DeConcini, requires annual reporting to the Veterans' Affairs Committees of the Congress, setting forth the VA's detailed plans for the expansion and improvement of the VA cemetery system over a 5-year period. H.R. 2344, passed by the House of Representatives on 20 May 1985, incorporates substantially the provisions of S.622. AMVETS believes this reporting requirement will assist the Veterans' Affairs Committees in their oversight responsibilities, and we are assured by the Chief Memorial Affairs Director, Mr. Paul Banai, that the reporting requirement will not impose a significant or unnecessarily expensive administrative burden on his department.

H.R. 2344 also mandates upright grave markers in VA cemeteries, unless flat markers are requested, as does S-769 introduced by Senator Pressler. Both bills provide a waiver of this requirement, expiring on 31 December, 1985, and require the designation of flat and upright sections in each VA cemetery no later than 1 January 1986. Although AMVETS supports the intent of the upright marker option as a minimal provision of dignity to deceased veterans, we do not agree with the unrealistic effective dates of this proposal. As currently written, the bills would also require setting aside upright or flat sections in closed cemeteries, an obviously impractical requirement. We would therefore recommend amending both S.769 and Section 3 of H.R. 2344 so as to make the effective date 1 January 1988 instead of 1 January 1986.

H.R. 2344 also directs the establishment of a VA cemetery on the Romero Ranch in Merced County, California, if 350 acres for the purpose are donated. We would prefer that specific plans for the establishment of cemeteries emanate from the VA, and reserve judgment on this provision until such a proposal is incorporated in the overall plans for the Department of Memorial Affairs required to be submitted to Congress by Section 2 of H.R. 2344 and S.622. Although AMVETS strongly supports diligent oversight by the Veterans' Affairs Committees, the executive responsibility belongs to the VA under the Constitution.

H.R. 2344, as do S.965 and S.1602, also provides for grants to certain totally disabled veterans for purchase of existing adapted housing. We welcome this obviously fair and cost effective change to Chapter 21 of Title 38, U.S.C.

H.R. 2344 also expresses the sense of Congress in opposing an increase in the loan guarantee origination fee. AMVETS concurs in this view and vigorously opposes that portion of the VA draft bill set forth in the Administrator's letter to the Vice President of 29 March 1985 which proposes such an increase.

S.962 and S.1509 introduced by Senator Cohen and the Ranking Minority Member provide for needed improvements in the All-Volunteer Force Educational Assistance Program, by providing for assistance to apprentice and on-the-job training courses and correspondence courses, so as to equate the current program with the G.I. Bill in these particulars. AMVETS enthusiastically supported Chairman Montgomery's imaginative program to furnish educational benefits to post-Vietnam era veterans as both a necessary recruiting incentive and a deserved veterans' entitlement, regardless of whose budget is charged for the cost. We are pleased to report that the Armed Services have benefited significantly in their recruiting endeavors as a result, and our peacetime veterans, who, because of the enactment of Public Law 98-304, now can belong to AMVETS, are sharing to some degree in the educational benefits provided to veterans of World War II, Korea and the Vietnam War. It is only fitting that those benefits should be expanded as proposed in S.962 and S.1509.

S.1209, introduced by Senator Thurmond would equalize the entitlement to educational assistance for eligible veterans and others enrolled in non-degree and degree college courses. We favor its enactment.

The VA draft bill set forth in the Administrator's letter of 8 May 1985 entitled the "Veterans Educational Assistance Improvements Act of 1985" contains a number of largely administrative changes and adjustments in the educational assistance programs. Some of those deserve notice.

Section 102 would open up Chapter 32 entitlements for an extension equivalent to the period in which an eligible veteran was prevented from participating because of physical or mental disability; Section 103 offers farm cooperative, apprentice or on-the-job training under Chapter 32; Section 104 would extend Chapter 34 benefits to Cadets and Midshipmen graduating in 1977; Section 105 requires counseling before a veteran can take advantage of the provisions of Chapter 34, after having been rated as incompetent. We find these proposed changes, including elimination of a largely moribund educational loan program in Title II of the proposed bill, generally acceptable.

The VA draft bill set forth in the Administrator's letter of 29 March 1985, relating to the loan guarantee program, entitled the "Veterans' Housing Admendments Act of 1985" would provide for interest rates set by the market, which we believe would benefit the veteran borrower. We note that Section 2 of the draft bill rejects the concept of variable interest rates, which we oppose, as set forth in S.9. Consistent with our support of portions of H.R. 2344, AMVETS opposes the proposed increase in the loan origination fee, which we believe will effectively eliminate the no-down-payment mortgage. When we first opposed this Grace Commission scheme, we pointed out that the loan guarantee program was meant to be an entitlement earned by veterans, and not subject to the profit and loss criteria of the private mortgage market. We reiterate that position. Rather than saddle the veteran with the cost of maintaining the Loan Guaranty Revolving Fund by increasing the initiation fee, we favor the enactment of Section 4 of the draft bill to authorize direct appropriations to the LGRF, and the use of direct appropriations where necessary. The elimination of the requirement to inspect the manufacturing process for manufactured homes is cost effective and avoids a duplicative function with HUD. AMVETS appreciates Senator D'Amato's proposal set forth in S.966 to offer mortgage insurance to seriously disabled veterans.

The VA draft bill entitled the "Veterans Disability Compensation and Survivor Benefits Amendments of 1985" provides for an increase in Compensation and DIC of 4.1%. H.R. 1538, reported favorably by the House Committee on Veterans' Affairs on 11 September 1985 proposes a 3.7% increase. We can accept the House bill as a realistic approach this year. AMVETS has no objection to the adoption reforms set forth in the draft bill and we endorse the change in the definition of "active duty for training" to afford certain veterans benefits to National Guardsmen. We look with favor on the extension of the paired organ impairment criteria of Section 360 of Title 38 to lung impairments. Title III of the draft bill was passed by the Senate on 20 September as part of S-1671. S.1477 would increase the burial plot allowance from $150 to $250. We favor the enactment, and incorporation in H.R. 2344, S.769 or S.622.

S.1397, which imposes more finely detailed justification requirements on the VA in proposing consolidations and administrative reorganization, and which prohibits a consolidation of benefits offices in fiscal year 1986, is, unfortunately, a necessary control on the VA's propensity to eliminate the regional office concept, which is the backbone of the service mission of the VA. AMVETS would not object to co-locating regional offices on the grounds of medical centers, provided space and facilities are no more restrictive than at present.

At your request, Mr. Chairman, we address two additional matters:

A proposal to increase the estate limitation for hospitalized incompetent veterans without dependents from $1,500 to $8,000; and the findings and recommendations contained in the June, 1985, Report of the VA Task Force submitted by the Mortgage Bankers Association of America.

Considering the realities of current costs of living, the $1,500 limit triggering the suspension of compensation payments, albeit to protect the veteran from acquisitive relatives, is much too low. We favor the increase.

The report of the Mortgage Bankers Association continues the theme of the Grace Commission which would require the loan guarantee program, if not the entire VA entitlements structure to meet the efficiency and fiscal criteria of a profit making enterprise, completely ignoring the gratuitous foundation on which VA programs are based. From a private market point of view, their recommendations appear to have merit. As a prescription for a benefit program for veterans who have earned what they are receiving and more, it is a callous rejection of the sacrifices of everyone who has served the colors.

Apart from the specifics of the legislation here being considered, we should at least have the integrity to recognize that in the competition for federal funds in 1985 veterans programs are not even holding their own, while vast subsidy and income transfer programs with no justification except the political and financial clout of well disciplined special interests, are getting healthier. We have been asked to cut even the Administration's restrictive budget proposal for veterans by approximately $300 million, while dairy farm subsidies, for example, have increased from that same $300 million in 1979 to over $2 billion in fiscal 1986; while $300 million goes to the Legal Services Corporation, and millions more go into UDAG, AMTRAK and so many other boondogle, logrolling payoffs to pressure groups who shouldn't even be mentioned in the same breath with our nation's veterans. AMVETS has always rejected the concept that veterans' programs are of equal value with these other drains on the national treasury. We do not understand why the veterans must share program cuts equally with unearned transfer programs. We do not understand why veterans do not come first in realizing the gratitude of the nation, instead of first when budget cuts are considered.

PVA

PARALYZED VETERANS OF AMERICA
Chartered by the Congress of the United States

STATEMENT OF
BOB MORAN, ASSOCIATE LEGISLATIVE DIRECTOR
PARALYZED VETERANS OF AMERICA
BEFORE THE
SENATE COMMITTEE ON VETERANS' AFFAIRS
CONCERNING
S. 9, S. 965, S. 966, S. 1397, H.R. 2344
AND CERTAIN
ADMINISTRATION PROPOSALS
OCTOBER 3, 1985

Mr. Chairman and members of the Committee, on behalf of the members of Paralyzed Veterans of America, I want to thank you for the opportunity to present our views and concerns regarding the various legislative and Administration proposals being considered here today. I am Bob Moran, PVA Associate Legislative Director.

PVA would personally like to commend you, Senator Murkowski, as Chairman of the committee, for holding this hearing. We wish to further compliment you and each individual member of the committee for their untiring efforts in addressing, with hopes of improving, the various programs administered by the Veterans Administration for our Nation's veterans.

Our testimony today will be limited to six of the bills being addressed and four of the administration proposals.

801 Eighteenth Street, N.W., Washington, D.C. 20006 (202) USA-1300

S.9, Section 6 of H.R.2344 and a Administration Proposal Regarding

VA Home Loan Guaranty Program

Since the program's inception in 1944, the Veterans Administration's Home Loan Guaranty program has assisted approximately 11.5 million veterans and their families in obtaining suitable, affordable housing. The VA Home Loan Guaranty program is an entitlement program, with every veteran meeting the requirements, as provided by statute, being eligible for the guaranty of their mortgage up to 60 percent of the loan or $27,500, whichever is less.

It has been one of the most successful housing programs in this nation's history, and the vast majority of loans guaranteed have cost taxpayers only the minor administrative cost of processing the initial loan. During its 41 year history, only four percent of all the loans guaranteed under this program have resulted in foreclosure. Without a doubt, the VA Home Loan Guaranty Program has been a good investment in America, providing stability and expanding the tax base of nearly every community in our country.

Mr. Chairman, the VA Home Loan Guaranty Program has, in the past 18 months, endured some of the most trying times of its 41 year existence. For example, in March 1984, as a result of the recent recession and an unprecedented number of property foreclosures, the VA had a record-high inventory portfolio of 22,316 properties valued at over $800 million. Since the beginning of Fiscal Year 1985, the VA Loan Guaranty Service has, as of August, sold more than 24,000 properties, which has generated revenues of $1 billion. This, in part, can be attributed to the nation's overall economic recovery, but PVA believes that credit must also go to Robert M. O'Toole, Director, and to the employees of the VA Loan Guaranty Service.

Mr. O'Toole and his staff have instituted some innovative management practices that have resulted in a positive attitude within the VA Loan Service, all of which has helped bring about a dramatic turn of events in the VA inventory portfolio. Through the use of paid sales commissions, cash discounts, concentrated management task force operations, and auctions of hard-to-sell properties from the portfolio, the Loan Guaranty Service has reduced its current inventory to approximately 18,000 units. This is most noteworthy in light of the fact that new foreclosures continue at a very high rate.

We feel confident that the VA Home Loan Guaranty Program, with its renewed vitality, can do well in meeting the rigorous demands that continue to menace the future of the American housing market.

In regard to the "users fee" within the VA's Home Loan Guaranty Program, including that proposed by the Administration, PVA is opposed to any such increase. We feel that an increase, whether it be twofold or fivefold, would, if enacted, have a serious detrimental effect on the ability of veterans to obtain VA guaranteed loans and thereby discourage veteran home ownership. By raising the origination fee, veterans using their VA guaranty entitlement would either have to pay the increased fee up front, or have the fee added into the loan. This would result in the veteran needing to have over a thousand dollars cash on hand, or add the user's fee into the loan, thereby, raising the amount of the mortgage and exceeding the actual property value.

Another part of the housing proposal is to repeal the current authority to establish maximum interest rates and to allow for borrower/lender negotiated rates. Currently, under Title 38, the Administrator has the authority to set minimum allowable interest rates. In 1983, the Federal Housing Administration (FHA) policy, which was similar to the VA's current policy of a set interest rate, was repealed to allow for a negotiable rate. The efficacy of this change certainly is questionable as illustrated by introduction of H.R. 1, legislation which would repeal the negotiable rate used by FHA, and revert it back to the policy as presently used by the VA. This alone should be an indication that the proposed method of negotiable rates by borrower/lender does not work.

PVA supports the provision contained within S. 9, to increase the maximum amounts of VA Home Loan Guarantees, and commends the Ranking Minority Member, Senator Cranston, for recognizing the escalating costs associated with housing today. We believe that the current VA Home Loan Guaranty program has served and will continue to serve veterans well, giving the veteran borrower the opportunity to secure a low cost loan, thereby fulfilling the American dream of owning a home.

S.1602, and Section 5 of H.R.2344 Regarding

Special Adapted Housing

Last year, Public Law 98-543, the "Veterans' Benefits Improvement Act of 1984," included two very important provisions relating to the VA's housing programs. The first provision increased the allowance for those service connected, blinded veterans and service-connected disabled veterans who have suffered the anatomical loss or loss of use of both hands, to make necessary adaptations to their homes, while the second provision increased the special adapted housing assistance grant for "wheelchair" homes. Mr. Chairman and Members of the Committee, we truly appreciate these improvements, for all of PVA's members are catastrophically disabled veterans, and we know all too well the difficulties and costs associated with obtaining affordable, accessible housing.

PVA supports S. 1602, and commends you, Mr. Chairman, Senator Specter, and Senator Rockefeller for recognizing the inequity that has existed in the VA's housing program that provides assistance to certain disabled veterans in acquiring specially adapted housing. When a veteran elects to purchase an already existing specially modified home, he is ineligible to receive the special adaptive housing allowance. Frequently, an already modified home may meet many of the veteran's needs, but still require additional modification. Additionally, the purchase price of the home will reflect the already existing modifications.

It is the modifications that make these homes appropriate residences for disabled veterans, but under the existing law certain disabled veterans are not qualified to receive the allowance of $6,000 toward the purchase of these specially adapted homes.

This legislation, S. 1602, removes the inequity that exists and allows eligible veterans the opportunity to receive the assistance in acquiring these residences that have already been specially adapted. PVA has emphasized and testified before to the importance for providing disabled veterans with opportunities to restore their lives to ones of independence and dignity to the fullest extent possible.

S.966

Veterans' Mortgage Life Insurance

Veterans' Mortgage Life Insurance (VMLI) is a program of group-type mortgage life insurance for service-connected disabled veterans who have been granted a specially adapted housing grant, and became available on August 11, 1971, by enactment of Public Law 92-52.

VMLI provides mortgage insurance for the more severely disabled veterans who would not otherwise be able to obtain coverage because of their medical conditions. The present maximum coverage was increased to $40,000 through passage of Public Law 94-433, effective October 1, 1976. Protection is automatic for the amount of the mortgage, up to the maximum of $40,000, unless eligible veterans decline in writing or fail to respond to a final request for information on which their premium can be based.

Premiums are automatically deducted from any compensation or other cash benefits payable to them by the VA. Any veteran insured, not receiving cash benefits from the VA, may pay the amount of his premiums directly to the insurer. The policy remains in effect until the mortgage, up to the maximum

$40,000 has been liquidated, or the home is sold; or until the veteran reaches 70 years of age, or dies. If a mortgage is disposed of through liquidation or sale of the property, any unused portion of the mortgage life insurance policy may be used on the mortgage of a subsequent home.

VMLI is made available to those veterans who qualify under Section 801, Title 38, USC, which provides eligibility for those veterans entitled to compensation for permanent and total service-connected disability.

1) due to the loss, or loss of use, of both lower extremities, such as to preclude locomotion without the aid of braces, crutches, canes, or a wheelchair, or

2) which includes (A) blindness in both eyes, having only light perception, plus (B) loss, or loss of use of one lower extremity, or

3) due to the loss, or loss of use, of one lower extremity together with (A) residuals of organic disease or injury, or (B) the loss, or loss of use of one upper extremity, which so affect the functions of balance or propulsion as to preclude locomotion without the aid of braces, crutches, canes, or a wheelchair.

This strict criteria for veterans to obtain VMLI limits the eligibility to a relatively small number of veterans, less than 6,000 nationwide. However, we believe that before creating a new group of veterans for entitlement within the VMLI program, those already within the program should be adequately provided for.

PVA does not "per se" oppose providing VMLI to veterans whose service-connected disabilities preclude them from obtaining commercial life insurance. But, in light of the escalating cost of housing today, which in less than 10 years has doubled, VMLI is not keeping pace with today's economic situation in providing adequate coverage for the veteran's spouse and dependents upon his death.

The following illustration shows that a veteran who buys a specially adapted house, utilizing the maximum amount of the VA grant, will not be adequately protected by VMLI upon his death.

Today's Housing Cost	$101,900.00*
VA Grant	35,500.00
Total Mortgage	$ 66,400.00
VMLI Protection	40,000.00
Unprotected Mortgage Left Over	$ 26,400.00

* Source - National Home Builders (National Average as of September 1985)

PVA advocates, before making a new group of veterans eligible, that VMLI coverage should be increased to those already covered, to more accurately reflect the increased amount of mortgage which is likely to remain after the veteran's death.

S. 1397, and Administration Proposal

Consolidation

PVA strongly supports the intent of S.1397, which prohibits the reorganization of VA facilities without a detailed plan and justification. More specifically, we oppose the consolidation of certain functions of the Department of Veterans' Benefits from fifty-eight regional offices into three processing centers. Earlier in the year, we testified before this committee and addressed our views and concerns regarding this issue. I would like to reiterate our same concerns at this time, which we felt addressed, and still do, all of the relevant issues that pertain to such a drastic measure by the VA in implementing such a proposal.

The essence of the plan is a consolidation of all adjudication, loan processing, finance, administrative and personnel functions now individually conducted in the various regional offices and centers into three regional centers located in the eastern, central, and western United States.

An appropriation of $25,000,000 is to be allocated for the cost of consolidation. We are challenging this estimate as grossly inadequate, considering costs such as what we consider to be a realistic estimate of $35,000 to $40,000 alone, as a relocation cost per individual VA employee. Our challenge is also based on considerations of costs of finding and leasing, buying or building suitable quarters for the consolidated offices; overlapping leases and costs of breaking leases; packing, shipping and relocation of files and equipment; installation costs of telephone and other communications equipment; direct and indirect employee costs such as severance pay, early retirement and inevitable loss of production and deterioration of employee morale as office closings and relocations become imminent. Another major factor will be the cost of procuring, installing and programming computers with adequate capacity and training operators for such equipment.

Consideration will have to be given to the sheer immensity of the files storage problem. Based upon representative inventory figures obtained from what we consider an average sized Adjudication Division, we have made the following assumptions and computations. Of the approximate 105,000 C-Files in that office, 90,000 are considered active. They are housed in filing cabinets which are fifteen inches wide and approximately twenty-five inches deep. These 5-drawer cabinets have an average of 40 files per drawer or 200 per cabinet. We have conservatively extrapolated a total of 5,220,000 active files in the United States based on multiplication of 90,000 by 58 RO's.

Dividing this total number of active files by 200 gives us a requirement of 26,100 cabinets which, taking a total of 1.25 linear feet (width) each, comes to 32,625 linear feet or a national total of six miles of cabinets or two miles of cabinets per consolidated office. In terms of area, these cabinets would require 5.2 square feet each (including a 25 inch aisle) or a total of 135,720 square feet or approximately 45,000 square feet of space for the cabinets alone in each consolidated office. Add to this the square footage of the requirements for cross aisles and working space for the employees, their necessary equipment, and adjunct facilities.

The sheer immensity and volume of folders per regional office, conservatively at least 1.75 million files per office, further presents the question of the time factors which must be considered for obtaining any given file. Of much more serious consequence is the ever-present danger of a major loss of C-Files, with all of their irreplaceable military and personal records, correspondence, etc., in the case of a catastrophic fire, comparable to the disaster at St. Louis in the early seventies when many millions of irreplaceable veterans' records were destroyed. Many a veteran undoubtedly suffered a denial of his claim, solely due to this one single fire.

In addition, the proposed consolidation will produce both tangible and intangible consequences. We perceive damaging costs and consequences far exceeding the scope and importance of any monetary benefit gained by the consolidation. In the VA publication entitled "Budget in Brief Fiscal Year 1986", the VA includes a preamble entitled "MISSION & GOALS". The VA states that its mission includes an obligation to be the "principal advocate" of veterans and their families in ensuring that they receive the benefits they have earned in service to this Nation. Further, the VA strives to ensure that an appropriate level of benefits is provided within the law to eligible veterans and beneficiaries.

We are greatly concerned that the VA will be straying far from its "mission" and that consolidation will result in and produce a major deterioration through the depersonalization of claims processing. The removal of processing employees from the respective areas they currently serve has the inevitable consequence of divorcing them from any sense of local identity and responsibility. There will be the loss of the ongoing relationship carefully cultivated in office after office by the top management, including the Adjudication Officer and his staff as well as by the Director's office with local facilities, agencies and important officials. This friendly local relationship and knowledge of local agencies, such as police officials, courthouse personnel, and local record keeping agencies often proves vital in cutting red tape and expediting processing of claims.

We perceive an immediate increase in the piecemeal assembly of data required for claims processing, with a consequent increase in the time required for effective development of claims. An immediate sequel to poorly developed and poorly adjudicated claims is a corresponding increase in the filing of appeals by dissatisfied claimants. The more the VA will rely on computer-generated correspondence, the less detailed and explanatory their letters will be. Consequently, the level of dissatisfaction referred to above will inevitably increase the already heavy caseload of the Board of Veteran Appeals, and significantly increase its backlog and lengthen the appeal process time.

A major loss to the entire veterans' community throughout this Nation will be the deprivation of availability of a local office at which a veteran or other claimant could appear for a personal hearing. Long experience tells us that a hearing is most effective when conducted before the very people who will be making the decision. Even if the VA were to provide alternative methods of conducting hearings by a separate hearing body in local areas, we submit that with the claims folders located in only three areas, the final decision will probably be made by rating personnel who have had no contact or feel for the individual in question.

The greatest concern we have relates to the impact any consolidation would have on the existing role of National Service Officers, of this organization and of all others, now located in every regional office, where they are geared to providing personal one-on-one service with claimants. In turn, these service officers have all developed effective working relationships with respective VA Adjudication personnel. Both the VA and the claimants have benefitted from this relationship. We cannot perceive how such an effective one-on-one relationship can be replaced or duplicated at the three consolidated offices. The quality, effectiveness, and timeliness of all services to claimants, promised so openly by the VA, can only deteriorate under the proposed plan. In essence, the service organization representatives will be neutralized without local access to the VA C-files. With no case development at a local level, the time to process these claims will double, if not triple, because of the time factor involved to collect pertinent information.

Taking into consideration the relocation, as well as the loss in work force of veterans service personnel, we feel it imperative that the VA consider the loss of the free assistance afforded them by veterans' service organizations. For example, last year alone, veterans' service organizations handled approximately 35% of all claims filed and conducted 40,000 personal hearings, both formal and informal.

In relation to the hearing processes, veterans may be subjected to traveling great distances and be expected to incur the expense of their travel and lodging out of their own pockets, if they desire to expedite their claims and not wait for the traveling board. Furthermore, there will be those severely disabled veterans with the same needs who would be deprived of this right because of their physical inabilities to travel the great distances which could be involved. In any case, the loss of the one-on-one personal contact with the veteran and his representative will be limited, if not totally destroyed, in untold thousands of cases.

The extended claims processing time is also a priority issue. It is our opinion that we could safely project a 50 percent increase in the time involved to process a claim from the date filed, to the date the veteran is notified of the decision. This extended processing time will add to the severe hardship which is placed upon those veterans awaiting a decision from the Veterans Administration and who are indeed in desperate need of this assistance. In view of the present economic state, literally thousands of veterans are being forced to turn to the VA for assistance for the first time in their lives. If one also takes into account the present age of the World War II veterans as well as the veterans of the Korean conflict, and the increase of Vietnam veterans now seeking benefits from the Veterans Administration, we find it difficult to accept the VA's projections of a reduced veteran case workload in the upcoming years.

Taking into consideration our conservative estimated space requirements for each consolidation site, it is difficult to visualize how the VA can realistically select a site, without making a detailed space requirement analysis, and then secure an adequate sized building in the selected location (if one exists) before the proposed FTEE reductions are actually made. Obviously, if the proposed reductions become fact before the preliminary plans and related arrangements are completed, the actual damage to the ability of the VA to process claims accurately and in a timely manner cannot be estimated. We may experience chaos in the system that will take many years to rectify, not only in regard to the disrupted administrative procedures, but more importantly, the irrevocable damage done to the well-being of the needy veteran dependent on VA benefits and services for survival.

Collocate

PVA highly recommends, as an alternative, to consolidation, a proposal to collocate certain Veterans Administration Regional Offices with Veterans Administration Medical Centers. This approach to collocate would prove to be much more cost effective than consolidation, while providing the VA the enhanced ability to provide a higher level of service in a more efficient and timely manner to the veteran at a location where his records are maintained.

Realistically, exercising an effort to collocate VA facilities would also reduce duplication of costs of providing General Services Administration rental and/or leasing, security and maintenance services, motor pools, and most, if not all, overhead expenditures involved in the operation of two facilities versus one.

After surveying our National Service Offices located throughout the VA system, PVA has determined the feasibility of at least 25 VA Regional Offices being collocated within VAMC facilities, or at a VAMC where land is available. Each site surveyed has a Regional Office and VAMC located within 20 miles of the other, and where public transportation is readily available without inconvenience to staff and also for veterans needing services at the collocation sites. The idea of providing the veteran both medical and administrative assistance at one location is beneficial and advantageous to the government, the VA, and the veteran.

PVA believes that the concept of collocation would improve the coordination of VA services to veterans. It would also be less time consuming to retrieve the veteran's medical records and C-file, as compared to the lengthy time which would be needed to retrieve these same records from the proposed three consolidation sites. Collocation would assist the VA in maintaining the face-to-face service to our veteran, which is of eminent importance. Additionally, the availability of the veteran's records to conduct formal hearings resolves another major concern, and a consideration that serves both the VA and the veteran in expediting individual cases and caseloads.

Mr. Chairman, we recognize that the VA has lease commitments for the space currently utilized by Regional Offices. These leases vary in terms of the duration and cancellation provisions for these offices, and would preclude wholesale collocation at any particular time. These provisions do however, afford the VA the opportunity to make long term plans for implementing collocation on a station by station basis.

PVA recommends that the VA assess the various leases for Regional Offices and the availability of land or facilities at VAMCs. This comparison of potential cost savings by combining the VAROs with VAMCs over a long-term period is feasible and warrants consideration. The examination should include the long-term ramifications of lease/rental costs, but should not overlook in the review process those facilities where VAROs are presently located in federal buildings where there may not be any lease/rental costs involved.

The duplicative administrative costs for security, maintenance, heat and air conditioning, and miscellaneous significant other costs must be included in the overall considerations to provide long-term plans to collocate facilities. PVA believes that these facts and figures are obtainable from the General Services Administration and/or the VA.

PVA believes any cost comparison between the collocation concept and a proposed DVB consolidation will provide the necessary support for our recommendation. A perfect example of this collocation already exists in Milwaukee, Wisconsin, at the Woods VA Medical Center with its regional offices, and there are, currently, eight other VA Medical Centers/Regional Offices.

Section 4 of S.1397 Regarding

Veterans Administration Prosthetics Center

PVA would like to compliment Senators Cranston, Matsunaga and DeConcini for the provision contained within S.1397, and the VA for their efforts to reorganize the prosthetic research program to a new center in Washington, D.C. In the past we have been rather critical of the VA for their fragmentation in this critical area of research, but our concerns should be well addressed by the collocation plan currently being considered.

PVA is involved in all areas of the Veterans Administration's prosthetics programs including research, development, evaluation, acquisition, and distribution of the working product, and the performance of repairs on those items. It is appropriate to illustrate how important the subject of prosthetics is to all of PVA's members and to those other veterans and nonveterans who rely on improved and new devices for daily living.

A person who has incurred spinal cord injury (SCI) or dysfunction is generally dependent upon varying types of prosthetic devices from the time of initial medical treatment through the remainder of his or her life. This is most evident during the rehabilitation stage when prosthetic devices are utilized to help adapt and train the SCI individual to his or her new lifestyle. Then, when the individual returns to life outside the hospital, a wide range of additional prosthetic devices are needed to assist him or her in performing activities of daily living.

Prosthetics aids for the SCI veteran cover a wide spectrum of available devices and, it is, safe to state, that each individual's need for prosthetic aids are as unique as the person's disability. These devices can be as simple as a molded wrist-finger adapter designed to hold a fork or spoon to assist in self-feeding, or as complicated as an integrated mechanical and electrical system which would permit a quadriplegic with little strength to operate a specially modified van. In addition, experimental prosthetics such as breath-activated environmental controls and functional electrical stimulation (FES) devices are presently in development, and offer an ever growing promise of increased independence for severely disabled persons.

The VA and the United States, once the acknowledged leaders in prosthetic research and application, has, due to a multiplicity of factors, particularly decreased funding, lost this leadership role. Clearly, the budgeting policies of the early 1980's showed that prosthetic research was not a high priority item for the federal government.

Under the proposed reorganization certain functions of the VA Prosthetics Center (VAPC), which is currently situated in New York City, would be transferred to the new Prosthetic Assessment and Information Center (PAIC) here in Washington. The planned, new, PAIC will be responsible for managing and coordinating all prosthetic administration, including testing, evaluation, and information dissemination. The Center will test not only newly designed VA prosthetics but also new commercially available devices and procedures; and with it being located in Washington, D.C., should greatly improve the overall coordination which has been needed by VA Central Office personnel. This proposal offers the VA great opportunity to regain its world leadership in the area of prosthetic research and product development.

PVA would also like to go on record as supporting the Administrator's request for a legislative waiver of the "report and wait" restrictions imposed by 38 U.S.C. Section 210(b)(2). The granting of this waiver contained in S. 1397 will enable this new Center to take shape and begin operation this Fiscal Year rather than next.

Administration Proposal

Incompetent Veterans

PVA is pleased to see this committee address the issue of estate limitations for incompetent veterans who are hospitalized, and have no dependents. We stated before this committee last year, when addressing the exclusion of the value of the institutionalized veterans' home, that the current policy whereby a veteran's estate may not exceed the $1500 limit, is overly restrictive.

Raising the estate limitation to $8000 before a veteran's benefits are stopped, and increasing to $2000 from $500 the limit for benefits to be reinstated is a more realistic figure when considering the economic conditions that exist today.

Administration Proposal

Cost-of-Living-Allowances

And finally, Mr. Chairman, ending on a positive note, PVA supports the proposed 3.7 percent increase in the rates of veterans disability compensation, and Dependency and Indemnity Compensation, effective December 1, 1985. PVA welcomes this proposal because we continue to believe that veterans and their survivors must not be subjected to the erosive effects of inflation.

PVA has always supported a viable compensation program to care for service-connected disabled veterans and their families. Congress created the compensation program to provide for the loss of earning capacity, when the diminished capacity results from injury or illness incurred while in service to the Nation.

Compensation is for many of PVA's members extremely important, because for many catastrophically disabled veterans, it remains their primary source of income. Therefore, service-connected disability compensation and DIC should be adjusted each year to offset erosion caused by inflation.

It is PVA's position that annual increases in compensation rates must be at least commensurate with increases in the Consumer Price Index (CPI), and this year an increase of 3.7 percent based on economic projections seems adequate.

Conclusion

Mr. Chairman and Members of the Committee, PVA is aware that this is a time of challenge, and we are concerned about the American taxpayer and the need to spend government funds as efficiently and as effectively as possible; therefore, our comments to your proposals, collectively, are to assist you in improving veterans' programs and at the same time be cost effective where possible.

I again thank you for the privilege of appearing here today. This concludes my statement, and I will be glad to respond to any questions that I can.

II

99TH CONGRESS
1ST SESSION

S. 9

To amend title 38, United States Code, to authorize the guaranty of qualified adjustable rate mortgages and to increase the maximum amounts of Veterans' Administration home loan guaranties.

IN THE SENATE OF THE UNITED STATES

JANUARY 3, 1985

Mr. BYRD (for Mr. CRANSTON) introduced the following bill; which was read twice and referred to the Committee on Veterans' Affairs

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A BILL

To amend title 38, United States Code, to authorize the guaranty of qualified adjustable rate mortgages and to increase the maximum amounts of Veterans' Administration home loan guaranties.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Veterans' Administration Housing Program Amendments of 1985".

SEC. 2. Paragraph (1) of section 1803(c) of title 38, United States Code, is amended—

(1) by inserting "(except as provided in subparagraph (C) of this paragraph)" before "shall bear";

(2) by designating the first and second sentences as subparagraphs (A) and (B); and

(3) by adding at the end the following new subparagraph:

"(C) In establishing rates of interest under this paragraph for loans made for one of the purposes described in clauses (1), (2), (3), (4), and (6) of section 1810(a) of this title, the Administrator may, pursuant to regulations which the Administrator shall prescribe consistent with this subparagraph, provide for the guaranty under this chapter of a loan in a case in which the terms and conditions agreed to by the parties include provision for periodic adjustments by the lender in the effective rate of interest charged (hereinafter in this subparagraph referred to as a 'qualified adjustable rate mortgage'). Such interest rate adjustments may be accomplished, in accordance with such terms and conditions, through adjustments in (i) the monthly payment amount, (ii) the outstanding principal balance, (iii) notwithstanding subsection (d)(1) of this section, the maturity of the loan, or (iv) any combination of the items described in clauses (i), (ii), and (iii) in this sentence, except that in no case may any such adjustment of the maturity of a loan result in a total term in excess of forty years. Adjustments in the effective rate of interest shall—

"(I) correspond to a national interest rate index specified by the Administrator, after consultation with the Secretary of Housing and Urban Development, in such regulations;

"(II) be made not more often than annually;

"(III) be limited, with respect to any single interest rate increase, to not more than 1 percent on the outstanding loan balance; and

"(IV) be limited to a maximum increase of 5 percentage points above the initial contract interest rate over the term of the loan.

Such regulations shall contain a requirement that the lender make available to the veteran applicant, at the time that the veteran applies for the loan, a full, written explanation of the features of the qualified adjustable rate mortgage, including a written hypothetical payment schedule that displays the maximum potential increases in monthly payments to the veteran over the first five years of the loan.".

SEC. 3. (a) Section 1810(c) of such title is amended by striking out "$27,500" and inserting in lieu thereof "$35,000".

(b) Section 1811(d)(2) of such title is amended—

(1) in subparagraph (A), by striking out "$27,500" both places it appears and inserting in lieu thereof "$35,000"; and

(2) in subparagraph (B), by striking out "$20,000" both places it appears and inserting in lieu thereof "$22,000".

(c) Section 1819(c) of such title is amended by striking out "$20,000" each place it appears and inserting in lieu thereof "$22,000".

(d) The amendments made by this section shall take effect on October 1, 1985.

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II

99TH CONGRESS
1ST SESSION

S. 399

To designate the Phoenix Veterans' Administration Medical Center, located in Phoenix, Arizona, as the "Carl T. Hayden Veterans' Administration Medical Center".

IN THE SENATE OF THE UNITED STATES

FEBRUARY 6 (legislative day, JANUARY 21), 1985

Mr. DECONCINI (for himself and Mr. GOLDWATER) introduced the following bill; which was read twice and referred to the Committee on Veterans' Affairs

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A BILL

To designate the Phoenix Veterans' Administration Medical Center, located in Phoenix, Arizona, as the "Carl T. Hayden Veterans' Administration Medical Center".

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Phoenix Veterans' Administration Medical Center, located in Phoenix, Arizona, shall be designated and hereafter be known as the "Carl T. Hayden Veterans' Administration Medical Center", in honor of the late Carl T. Hayden, Senator from the State of Arizona. Any reference to such medical center in any law, regulation, map, document, record, or other paper of the United States shall be held and considered to be a reference to the Carl T. Hayden Veterans' Administration Medical Center.

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II

99TH CONGRESS
1ST SESSION

S. 622

To amend title 38, United States Code, to require the Administrator of Veterans' Affairs to transmit certain annual reports to Congress to facilitate the orderly expansion of the National Cemetery System.

IN THE SENATE OF THE UNITED STATES

MARCH 7 (legislative day, FEBRUARY 18), 1985

Mr. DECONCINI introduced the following bill; which was read twice and referred to the Committee on Veterans' Affairs

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A BILL

To amend title 38, United States Code, to require the Administrator of Veterans' Affairs to transmit certain annual reports to Congress to facilitate the orderly expansion of the National Cemetery System.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 1000 of title 38, United States Code, is amended by adding at the end the following new subsection:

"(c) Not later than July 1 of each year, the Administrator shall submit to the Committees on Veterans' Affairs of the Senate and House of Representatives a report on the construction and expansion of national cemeteries. Each report shall include—

"(1) a five-year plan for the construction and expansion of the National Cemetery System;

"(2) a list, in order of priority, of the 10 geographic areas in the United States in which the need for additional burial space for veterans is greatest;

"(3) an assessment of the desirability and feasibility of acquiring existing State cemeteries in the geographic areas on the list included pursuant to clause (2); and

"(4) general plans (including projected costs, site location, and, if appropriate, necessary land acquisition) for each cemetery or proposed cemetery included in the five-year plan and general plans for the expansion of the National Cemetery System in each geographic area included on the list".

(b) The first report under section 1000(c) of title 38, United States Code, as added by subsection (a), shall be submitted not later than July 1, 1985, or the end of the 30-day period beginning on the date of the enactment of this Act, whichever is later.

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II

99TH CONGRESS
1ST SESSION

S. 769

To amend title 38, United States Code, to allow the use of upright grave markers in national Veterans' Administration cemeteries.

IN THE SENATE OF THE UNITED STATES

MARCH 28 (legislative day, FEBRUARY 18), 1985

Mr. PRESSLER (for himself and Mr. ABDNOR) introduced the following bill; which was read twice and referred to the Committee on Veterans' Affairs

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A BILL

To amend title 38, United States Code, to allow the use of upright grave markers in national Veterans' Administration cemeteries.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That—

SEC. 2. (a) Section 1004(c) of title 38, United States Code, is amended—

(1) by inserting "(1)" after "(c)"; and

(2) by adding at the end of the following:

"(2) Each such marker shall be upright, except that, if the person buried (or the survivor or legal representative of the person buried) has requested that the grave be marked with a flat market, the person shall be buried in a cemetery section set aside for graves marked with flat markers and a flat marker shall be used.".

(b)(1) The amendments made by subsection (a) shall apply with respect to markers for the graves of persons who die after September 30. 1985.

(2) During the period beginning on October 1, 1985, and ending on December 31, 1985, the Administrator of Veterans' Affairs—

(A) may waive the applicability of section 1004(c)(2) of title 38, United States Code, as added by subsection (a), in the case of the grave of a person to be buried during such period in a cemetery in which there is no section set aside for graves with upright markers; and

(B) may deny a request under section 1004(c)(2) of title 38, United States Code, as added by subsection (a), that the grave of a person to be buried in a national cemetery be marked with a flat marker if the denial is for the reason that in the cemetery in which the burial is to take place there is no section set aside for graves with flat markers.

(3) Not later than January 1, 1986, the Administrator of Veterans' Affairs shall designate for each cemetery in the National Cemetery System a section in which graves shall be

marked with upright markers and a section in which graves shall be marked with flat markers.

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II

99th CONGRESS
1st Session

S. 962

To amend chapter 30 of title 38, United States Code, to provide for educational assistance for apprenticeship or other onjob training under the All-Volunteer Force Educational Assistance Program.

IN THE SENATE OF THE UNITED STATES

April 22 (legislative day, April 15), 1985

Mr. Cohen (for himself and Mr. Cranston) introduced the following bill; which was read twice and referred to the Committee on Veterans' Affairs

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A BILL

To amend chapter 30 of title 38, United States Code, to provide for educational assistance for apprenticeship or other onjob training under the All-Volunteer Force Educational Assistance Program.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 1402 of title 38, United States Code, is amended—

(1) by amending paragraph (3) to read as follows:

"(3) The term 'program of education' (A) has the meaning given such term in section 1652(b) of this title, and (B) includes a full-time program of apprenticeship or of other onjob training approved as provided in clause (1) or (2), as appropriate, of section 1787(a) of this title."; and

(2) by adding at the end the following new paragraph:

"(7) The term 'training establishment' has the meaning given such term in section 1652(e) of this title.".

(b)(1) Section 1432 of such title is amended by adding at the end the following new subsection:

"(c) In any month in which an individual pursuing a program of education consisting of a program of apprenticeship or other onjob training fails to complete one hundred and twenty hours of training, the amount of the monthly educational assistance allowance payable under this chapter to the individual shall be limited to the same proportion of the applicable full-time rate as the number of hours worked during such month, rounded to the nearest eight hours, bears to one hundred and twenty hours.".

(2) The heading of such section is amended to read as follows:

"§ 1432. Limitations on educational assistance for certain individuals".

(3) The item relating to such section in the table of sections at the beginning of chapter 30 is amended to read as follows:

"1432. Limitations on educational assistance for certain individuals.".

(c) Section 1434 of such title is amended—

(1) in the first sentence of subsection (a), by striking out "1780(c),"; and

(2) in subsection (b)(2), by inserting "or training establishment, as the case may be," after "educational institution".

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II

99TH CONGRESS
1ST SESSION

S. 965

To amend title 38, United States Code, to remove an inequity in the Veterans' Administration program to provide assistance to certain disabled veterans in acquiring specially adapted residences.

IN THE SENATE OF THE UNITED STATES

APRIL 22 (legislative day, APRIL 15), 1985

Mr. D'AMATO introduced the following bill; which was read twice and referred to the Committee on Veterans' Affairs

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A BILL

To amend title 38, United States Code, to remove an inequity in the Veterans' Administration program to provide assistance to certain disabled veterans in acquiring specially adapted residences.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 801(b)(1) of title 38, United States Code, is amended by inserting before the period at the end thereof the following: "or in acquiring a residence already adapted with special features determined by the Administrator to be reasonably necessary for the veteran by reason of the veteran's disability".

(b) The amendment made by subsection (a) shall apply with respect to residences acquired after September 30, 1985.

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II

99TH CONGRESS
1ST SESSION

S. 966

To amend title 38, United States Code, to provide mortgage protection life insurance to certain veterans unable to acquire commercial life insurance because of service-connected disabilities.

IN THE SENATE OF THE UNITED STATES

APRIL 22 (legislative day, APRIL 15), 1985

Mr. D'AMATO introduced the following bill; which was read twice and referred to the Committee on Veterans' Affairs

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A BILL

To amend title 38, United States Code, to provide mortgage protection life insurance to certain veterans unable to acquire commercial life insurance because of service-connected disabilities.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) chapter 19 of title 38, United States Code, is amended by adding at the end thereof the following new subchapter:

“Subchapter V—Mortgage Protection Life Insurance for Certain Disabled Veterans

“§ 791. Purchase of insurance

“(a) The Administrator may purchase from one or more life insurance companies a policy or policies of mortgage protection life insurance on a group basis to provide the benefits specified in this section.

“(b) A veteran (other than a veteran eligible for insurance under section 806 of this title) who establishes to the satisfaction of the Administrator that the veteran is unable to obtain commercial life insurance because of a service-connected disability rated at 80 percent or more shall, upon application made in such form as the Administrator shall prescribe, be granted insurance under this section.

“(c) The Administrator may purchase insurance under this section without regard to section 3709 of the Revised Statutes (41 U.S.C. 5), but the authority of the Administrator to purchase insurance under this section is effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.

“§ 792. Amount of insurance

“The initial amount of insurance provided under this subchapter may not exceed the lowest of the following amounts:

“(1) $40,000.

"(2) The amount of the loan outstanding on a dwelling (and necessary land therefor) owned or occupied by the veteran as a home on the date insurance under this subchapter is placed in effect.

"(3) In the case of a veteran who purchases or constructs a dwelling (including necessary land therefor) to be occupied by the veteran as a home on or after the effective date of this section the amount of the original loan.

The amount of such insurance shall be reduced according to the amortization schedule of the loan and at no time may exceed the amount of the outstanding loan with interest.

"§ 793. Premium rates

"(a) The premium rates charged a veteran for insurance under this subchapter shall be paid at such times and in such manner as the Administrator shall prescribe and shall be based on such mortality data as the Administrator considers appropriate to cover only the mortality cost of insuring veterans with service-connected disabilties rated at 80 percent or more who are unable to obtain commercial mortgage protection life insurance.

"(b) The Administrator shall deduct the premiums charged a veteran for life insurance under this subchapter from any compensation or other cash benefits payable to the veteran by the Veterans' Administration and shall pay such premiums to the insurer or insurers for such insurance. A veteran insured under this subchapter who is not eligible for cash benefits from the Veterans' Administration may pay the amount of the premiums directly to the insurer or insurers for insurance under this subchapter.

"§ 794. Payment of insurance

"An amount of insurance in force under this subchapter on the date of death of a veteran insured under this subchapter shall be paid only to the holder of the mortgage loan, the payment of which the insurance was granted, for credit on the loan indebtedness. The liability of the insurer under such insurance shall be satisfied when such payment is made. If the Administrator is the holder of the mortgage loan, the insurance proceeds shall be credited to the loan indebtedness and shall be deposited (as appropriate) in the direct loan or loan guaranty revolving fund established by section 1823 or 1824 of this title, respectively.

"§ 795. Insurance policy provisions

"(a)(1) Each policy purchased under section 791 of this title shall provide, in terms approved by the Administrator, for the provisions required by this subsection.

"(2) Each such policy shall provide for reinsurance, to the extent and in a manner to be determined by the Administrator to be in the best interest of the veterans or the Government, with other insurers which meet qualifying criteria established by the Administrator as may elect to participate in such reinsurance.

"(3) Each such policy shall provide that at any time the Administrator determines such action to be in the best interest of veterans or the Government, the Administrator (A) may discontinue the entire policy, or (B) may exclude from coverage under such policy loans made after a date fixed by the Administrator for such purpose. Any insurance previously issued to a veteran under such policy may not be canceled by the insurer solely because of termination of the policy by the Administrator with respect to new loans. If the policy is wholly discontinued, the Administrator shall have the right to require the transfer (to the extent and in a manner to be determined by the Administrator), to any new company or companies with which the Administrator has negotiated a new policy or policies, the amounts (as determined by the existing insurer or insurers with the concurrence of the Administrator) of any policy or contingency reserves with respect to insurance previously in force.

"(4) Each such policy shall provide for issuance to each veteran insured under this subchapter of a uniform type of certificate setting forth the benefits to which the veteran is entitled under the insurance.

"(5) Each such policy shall provide for any other provision which is reasonably necessary or appropriate to carry out the provisions of this subchapter.

"(6) Each such policy shall provide for an accounting to the Administrator not later than 90 days after the end of each policy year. Each such accounting shall set forth (in a form approved by the Administrator) (A) the amount of premiums paid by veterans accrued under the contract or agreement from its date of issue to the end of such contract year, (B) the total of all mortality and other claim charges incurred for that period, and (C) the amount of the insurer's expense and risk charges, if any, for that period. If the amount under clause (A) is greater than the sum of the amounts under clauses (B) and (C), the amount of the difference shall be held by the insurer as a contingency reserve to be used by the insurer for charges under the contract or agreement only. The contingency reserve shall bear interest at a rate to be determined in advance of each contract year by the insurer. That rate shall be approved by the Administrator if consistent with the rates generally used by the insurer for similar funds held under other plans of group life insurance. If and when the Administrator determines that such contingency reserve has attained an amount estimated by him to make satisfactory provision for adverse fluctuations in future charges under the contract, the Administrator shall require the insurer to adjust the premium rates and contributions so as to prevent any further substantial accretions to the contingency reserve. If and when the contract or agreement is discontinued and if after all charges have been made there is any positive balance remaining in the contingency reserve, such balance shall be paid to the Administrator and shall be credited to the appropriation "Compensation and Pensions, Veterans' Administration," subject to the right of the insurer to make such payment in equal monthly installments over a period of not more than two years.

"(b) With respect to insurance contracted for under this subchapter, the Administrator may adopt such regulations relating to eligibility of veterans for insurance, maximum amount of insurance, maximum duration of insurance, and other factors not specifically provided for in this subchapter as in the Administrator's judgment are in the best interest of veterans or the Government. Insurance contracted for under this subchapter shall take effect as to any veteran on a date determined by the Administrator. The amount of the insurance at any time shall be the amount necessary to pay the mortgage indebtedness in full, except as otherwise limited by the policy.

"(c) Insurance contracted for under this subchapter shall terminate upon whichever of the following first occurs:

"(1) Satisfaction of the veteran's indebtedness under the loan upon which the insurance is based.

"(2) Termination of the veteran's ownership of the property securing the loan.

"(3) Discontinuance of payment of premiums by the veteran.

"(4) Discontinuance of the entire contract or agreement.

"(d) Termination of mortgage protection life insurance under this subchapter shall not affect the guaranty or insurance of the loan by the Administrator.".

(b) The table of sections at the beginning of such chapter is amended by adding at the end thereof the following:

"SUBCHAPTER V—MORTGAGE PROTECTION LIFE INSURANCE FOR CERTAIN DISABLED VETERANS

"Sec.
"791. Purchase of insurance.
"792. Amount of insurance.
"793. Premium rates.
"794. Payment of insurance.
"795. Insurance policy provisions.".

SEC. 2. Subchapter V of chapter 19 of title 38, United States Code, as added by the first section of this Act, shall take effect on October 1, 1985.

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II

99TH CONGRESS
1ST SESSION

S. 1207

To amend title 38, United States Code, to provide equal benefits, under certain educational assistance programs administered by the Veterans' Administration, to eligible veterans or other eligible persons enrolled in degree courses and eligible veterans or other eligible persons enrolled in nondegree courses offered by fully accredited institutions of higher learning which offer courses leading to a standard college degree and courses not leading to a standard college degree.

IN THE SENATE OF THE UNITED STATES

MAY 23 (legislative day, APRIL 15), 1985

Mr. THURMOND introduced the following bill; which was read twice and referred to the Committee on Veterans' Affairs

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A BILL

To amend title 38, United States Code, to provide equal benefits, under certain educational assistance programs administered by the Veterans' Administration, to eligible veterans or other eligible persons enrolled in degree courses and eligible veterans or other eligible persons enrolled in nondegree courses offered by fully accredited institutions of higher learning which offer courses leading to a standard college degree and courses not leading to a standard college degree.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

That (a) section 1780(a) of title 38, United States Code, is amended—

(1) in clause (1), by inserting ", or enrolled in a course which does not lead to a standard college degree if the educational institution offering the course offers courses leading to a standard college degree and courses not leading to a standard college degree and is a fully accredited institution of higher learning," after "college degree"; and

(2) in clause (2), by inserting ", if the educational institution offering the course is not a fully accredited institution of higher learning or does not offer courses leading to a standard college degree and courses not leading to a standard college degree," after "title)".

(b) The third sentence of section 1788(a) is amended by inserting before the period at the end thereof the following: "unless the educational institution offering the course offers courses leading to a standard college degree and courses not leading to a standard college degree and is a fully accredited institution of higher learning".

SEC. 2. (a) The amendments made by the first section shall take effect September 1, 1985.

(b) Benefits shall not accrue by reason of such amendments for periods before September 1, 1985.

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II

99TH CONGRESS
1ST SESSION

S. 1397

To amend title 38, United States Code, to define the term "detailed plan and justification" in connection with certain administrative reorganizations of Veterans' Administration facilities, and to confirm that a reorganization involving consolidation of benefits offices is prohibited by law and to permit one involving prosthetics centers to be implemented prior to fiscal year 1986.

IN THE SENATE OF THE UNITED STATES

JUNE 27 (legislative day, JUNE 26), 1985

Mr. CRANSTON (for himself, Mr. MATSUNAGA, and Mr. DECONCINI) introduced the following bill; which was read twice and referred to the Committee on Veterans' Affairs

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A BILL

To amend title 38, United States Code, to define the term "detailed plan and justification" in connection with certain administrative reorganizations of Veterans' Administration facilities, and to confirm that a reorganization involving consolidation of benefits offices is prohibited by law and to permit one involving prosthetics centers to be implemented prior to fiscal year 1986.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Veterans' Administration Reorganization Act of 1985".

CONGRESSIONAL FINDINGS

SEC. 2. The Congress makes the following findings:

(1) On February 1, 1985, the Administrator of Veterans' Affairs submitted to the Veterans' Affairs Committees of the Congress letters regarding an administrative reorganization (as defined in section 210(b)(2)(C)(i) of title 38, United States Code), for the consolidation of certain Veterans' Administration Department of Veterans' Benefits activities from fifty-nine regional offices into three processing centers, planned to be initiated in fiscal year 1986.

(2) Those letters failed to (A) indicate the number of employees by which each regional office affected would be reduced, (B) describe the means by which the reductions at each such office would be accomplished, (C) specify the locations of and the numbers of persons to be employed at the three processing centers, (D) describe the effects of the reorganization on the provision of benefits and services to veterans and dependents, (E) explain the reasons why the reorganization was considered advisable, and (F) provide estimates and analyses of the cost impacts of the reorganization.

(3) By reason of the Administrator's failure to provide such basic information regarding the proposed reorganization, the February 1, 1985, letter did not constitute a detailed plan and justification for the reorganization, as required by section 210(b)(2)(A) of title 38, United States Code.

(4) Therefore, under section 210(b)(2) of such title, which prohibits the implementation of such an administrative reorganization in a given fiscal year unless the Administrator has submitted to the appropriate Committees of the Congress not later than the date on which the President submits the Budget for the United States Government for that fiscal year a detailed plan and justification for the reorganization, any action in fiscal year 1986 to carry out the administrative reorganization referred to in the Administrator's February 1 letters is prohibited by such section 210(b)(2).

CLARIFICATION OF REQUIREMENT FOR DETAILED PLAN AND JUSTIFICATION FOR ADMINISTRATIVE REORGANIZATIONS

SEC. 3. (a) Subparagraph (C) of section 210(b)(2) of title 38, United States Code, is amended by inserting at the end the following new division:

"(iii) The term 'detailed plan and justification' means, with respect to an administrative reorganization, a document which at a minimum—

"(I) specifics the number of employees by which each covered office or facility affected is to be reduced, the means by which the reduction is to be accomplished, and the salary levels and responsibilities of those employees;

"(II) identifies any existing or planned office or facility at which the number of employees is to be increased and specifies the numbers, salary levels, and responsibilities of the additional employees at each such office or facility;

"(III) describes the changes in the functions carried out at any existing office or facility and the functions to be assigned to an office or facility not in existence on the date that the plan and justification are submitted pursuant to subparagraph (A) of this paragraph;

"(IV) explains the reasons why it has been determined that the reorganization is appropriate and advisable;

"(V) describes the effects that the reorganization may have on the provision of benefits and services to veterans and dependents of veterans; and

"(VI) provides estimates of the costs of accomplishing, and of the cost impact of, the reorganization, together with the analyses supporting those estimates.".

(b)(1) Except as provided in paragraph (2), the amendment made by subsection (a) shall take effect with respect to administrative reorganizations proposed to be carried out in fiscal year 1987 and subsequent fiscal years.

(2) The amendment made by subsection (a) applies so as to prohibit any action in fiscal year 1986 to carry out the administrative reorganization referred to in section 2(1).

AUTHORIZATION FOR ADMINISTRATIVE REORGANIZATION WITHIN VETERANS' ADMINISTRATION DEPARTMENT OF MEDICINE AND SURGERY

SEC. 4. (a) The Administrator of Veterans' Affairs may undertake the administrative reorganization described in subsection (b) without regard to the requirements of section 210(b)(2) of title 38, United States Code.

(b) The administrative reorganization referred to in subsection (a) is a reorganization within the Department of Medicine and Surgery of the Veterans' Administration, as described in February 1, 1985, letters from the Administrator to the Speaker of the House of Representatives and the President of the Senate, to transfer the functions of the Technology and Performance Evaluation Section and the Information and Education Service at the Veterans' Administration Prosthetics Center in New York, New York, to a new Prosthetics Assessment and Information Center in the vicinity of Washington, District of Columbia.

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II

99TH CONGRESS
1ST SESSION

S. 1477

To amend title 38, United States Code, to increase the burial plot allowance for veterans from $150 to $250.

IN THE SENATE OF THE UNITED STATES

JULY 22 (legislative day, JULY 16), 1985

Mr. CHAFEE introduced the following bill; which was read twice and referred to the Committee on Veterans' Affairs

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A BILL

To amend title 38, United States Code, to increase the burial plot allowance for veterans from $150 to $250.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) paragraphs (1) and (2) of section 903(b) of title 38, United States Code, are amended by striking out "$150" each place it appears and inserting in lieu thereof "$250".

(b) The amendment made by this Act shall take effect on October 1, 1985.

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II

99TH CONGRESS
1ST SESSION

S. 1509

To amend chapter 30 of title 38, United States Code, to provide for educational assistance under the All-Volunteer Force Educational Assistance Program for pursuit of a program of education by correspondence.

IN THE SENATE OF THE UNITED STATES

JULY 26 (legislative day, JULY 16), 1985

Mr. CRANSTON (for himself and Mr. COHEN) introduced the following bill; which was read twice and referred to the Committee on Veterans' Affairs

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A BILL

To amend chapter 30 of title 38, United States Code, to provide for educational assistance under the All-Volunteer Force Educational Assistance Program for pursuit of a program of education by correspondence.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 1434(a) of title 38, United States Code, is amended by striking out "1780(a)(5), 1780(b), 1786, 1787, and 1792" and inserting in lieu thereof "and 1787"; and

(b) Section 1792 of such title is amended—

(1) in subsection (a), by inserting "30" after "chapter"; and

(2) in subsection (b), by inserting "30" after "chapters".

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II

99TH CONGRESS
1ST SESSION

S. 1602

To amend title 38, United States Code, to authorize the Administrator of Veterans' Affairs to assist certain disabled veterans in acquiring specially adapted residences.

IN THE SENATE OF THE UNITED STATES

AUGUST 1 (legislative day, JULY 16), 1985

Mr. SPECTER (for himself, Mr. ROCKEFELLER, and Mr. MURKOWSKI) introduced the following bill; which was read twice and referred to the Committee on Veterans Affairs

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A BILL

To amend title 38, United States Code, to authorize the Administrator of Veterans' Affairs to assist certain disabled veterans in acquiring specially adapted residences.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 801(b)(1) of title 38, United States Code, is amended by inserting before the period at the end thereof the following: "or in acquiring a residence already adapted with special features determined by the Administrator to be reasonably necessary for the veteran by reason of the veteran's disability".

(b) Section 802(b)(1) of such title is amended by striking out "cost" and inserting in lieu thereof "cost, or, in the case of a veteran acquiring a residence already adapted with special features, the fair market value,".

SEC. 2. The amendments made by the first section shall apply with respect to residences acquired after September 30, 1985.

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II

99TH CONGRESS
1ST SESSION

S. 1788

To amend title 38, United States Code, to increase the rates of disability compensation for disabled veterans and the rates of dependency and indemnity compensation for surviving spouses and children of veterans, to improve veterans' education benefits, and to improve the Veterans' Administration home loan guaranty program; to amend titles 10 and 38, United States Code, to improve national cemetery programs; to redesignate, improve, and extend the Emergency Veterans' Job Training Act of 1983; and for other purposes.

IN THE SENATE OF THE UNITED STATES

OCTOBER 24 (legislative day, OCTOBER 21), 1985

Mr. MURKOWSKI (for himself and Mr. THURMOND) introduced the following bill; which was read twice and referred to the Committee on Veterans' Affairs

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A BILL

To amend title 38, United States Code, to increase the rates of disability compensation for disabled veterans and the rates of dependency and indemnity compensation for surviving spouses and children of veterans, to improve veterans' education benefits, and to improve the Veterans' Administration home loan guaranty program; to amend titles 10 and 38, United States Code, to improve national cemetery programs; to redesignate, improve, and extend the Emergency Veterans' Job Training Act of 1983; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE AND REFERENCES

SECTION 1. (a) This Act may be cited as the "Veterans' Compensation and Benefits Improvements Act of 1985".

(b) Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of title 38, United States Code.

TITLE I—DISABILITY COMPENSATION AND DEPENDENCY AND INDEMNITY COMPENSATION

RATE INCREASES

SEC. 101. (a) Section 314 is amended—

(1) by striking out "$66" in subsection (a) and inserting in lieu thereof "$68";

(2) by striking out "$122" in subsection (b) and inserting in lieu thereof "$127";

(3) by striking out "$185" in subsection (c) and inserting in lieu thereof "$192";

(4) by striking out "$266" in subsection (d) and inserting in lieu thereof "$276";

(5) by striking out "$376" in subsection (e) and inserting in lieu thereof "$390";

(6) by striking out "$474" in subsection (f) and inserting in lieu thereof "$492";

(7) by striking out "$598" in subsection (g) and inserting in lieu thereof "$620";

(8) by striking out "$692" in subsection (h) and inserting in lieu thereof "$718";

(9) by striking out "$779" in subsection (i) and inserting in lieu thereof "$808";

(10) by striking out "$1,295" in subsection (j) and inserting in lieu thereof "$1,343";

(11) by striking out "$1,609" and "$2,255" in subsection (k) and inserting in lieu thereof "$1,669" and "$2,338", respectively;

(12) by striking out "$1,609" in subsection (l) and inserting in lieu thereof "$1,669";

(13) by striking out "$1,774" in subsection (m) and inserting in lieu thereof "$1,840";

(14) by striking out "$2,017" in subsection (n) and inserting in lieu thereof "$2,092";

(15) by striking out "$2,255" each place it appears in subsections (o) and (p) and inserting in lieu thereof "$2,338";

(16) by striking out "$968" and "$1,442" in subsection (r) and inserting in lieu thereof "$1,004" and "$1,495", respectively;

(17) by striking out "$1,449" in subsection (s) and inserting in lieu thereof "$1,503"; and

(18) by striking out "$280" in subsection (t) and inserting in lieu thereof "$290".

(b) The Administrator of Veterans' Affairs may adjust administratively, consistent with the increases authorized by this section, the rates of disability compensation payable to persons within the purview of section 10 of Public Law 85–857 who are not in receipt of compensation payable pursuant to chapter 11 of title 38, United States Code.

ADDITIONAL COMPENSATION FOR DEPENDENTS

SEC. 102. Section 315(1) is amended—

(1) by striking out "$79" in clause (A) and inserting in lieu thereof "$82";

(2) by striking out "$132" and "$42" in clause (B) and inserting in lieu thereof "$137" and "$44", respectively;

(3) by striking out "$54" and "$42" in clause (C) and inserting in lieu thereof "$56" and "$44", respectively;

(4) by striking out "$64" in clause (D) and inserting in lieu thereof "$66";

(5) by striking out "$143" in clause (E) and inserting in lieu thereof "$148"; and

(6) by striking out "$120" in clause (F) and inserting in lieu thereof "$124".

CLOTHING ALLOWANCE FOR CERTAIN DISABLED VETERANS

SEC. 103. Section 362 is amended by striking out "$349" and inserting in lieu thereof "$362".

DEPENDENCY AND INDEMNITY COMPENSATION FOR SURVIVING SPOUSES

SEC. 104. Section 411 is amended—

(1) by striking out the table in subsection (a) and inserting in lieu thereof the following:

"Pay grade	Monthly rate	Pay grade	Monthly rate
E-1	$494	W-4	$707
E-2	508	O-1	624
E-3	521	O-2	644
E-4	555	O-3	690
E-5	569	O-4	729
E-6	582	O-5	804
E-7	611	O-6	905
E-8	644	O-7	979
E-9	[1] 673	O-8	1,073
W-1	624	O-9	1,152
W-2	649	O-10	[2] 1,262
W-3	668		

"[1] If the veteran served as sergeant major of the Army, senior enlisted advisor of the Navy, chief master sergeant of the Air Force, sergeant major of the Marine Corps, or master chief petty officer of the Coast Guard, at the applicable time designated by section 402 of this title, the surviving spouse's rate shall be $726.

"[2] If the veteran served as Chairman of the Joint Chiefs of Staff, Chief of Staff of the Army, Chief of Naval Operations, Chief of Staff of the Air Force, Commandant of the Marine Corps, or Commandant of the Coast Guard, at the applicable time designated by section 402 of this title, the surviving spouse's rate shall be $1,353.";

(2) by striking out "$55" in subsection (b) and inserting in lieu thereof "$57";

(3) by striking out "$143" in subsection (c) and inserting in lieu thereof "$148"; and

(4) by striking out "$70" in subsection (d) and inserting in lieu thereof "$73".

DEPENDENCY AND INDEMNITY COMPENSATION FOR CHILDREN

SEC. 105. Section 413 is amended—

(1) by striking out "$240" in clause (1) and inserting in lieu thereof "$249";

(2) by striking out "$345" in clause (2) and inserting in lieu thereof "$358";

(3) by striking out "$446" in clause (3) and inserting in lieu thereof "$463"; and

(4) by striking out "$446" and "$90" in clause (4) and inserting in lieu thereof "$463" and "$93", respectively.

SUPPLEMENTAL DEPENDENCY AND INDEMNITY COMPENSATION FOR CHILDREN

SEC. 106. Section 414 is amended—

(1) by striking out "$143" in subsection (a) and inserting in lieu thereof "$148";

(2) by striking out "$240" in subsection (b) and inserting in lieu thereof "$249"; and

(3) by striking out "$122" in subsection (c) and inserting in lieu thereof "$127".

EFFECTIVE DATE

SEC. 107. Except as provided in section 108 of this Act, the amendments made by sections 101 through 106 of this Act shall take effect on December 1, 1985.

ALTERNATIVE RATE INCREASES

SEC. 108. (a)(1) If the percentage of the increase in benefit amounts under title II of the Social Security Act that will take effect on December 1, 1985, as a result of a determination under section 215(i) of such Act is not 3.7 percent—

(A) sections 101 through 106 of this Act shall not take effect; and

(B) the Administrator of Veterans' Affairs shall (i) compute alternative increased rates and limitations that are equal to those that would be arrived at by increasing, by the same percentage as the percentage by which such benefit amounts will thus be increased, each dollar amount that would have been increased by the amendments that would have been made by such sections, and (ii) effective December 1, 1985, pay benefits under chapters 11 and 13 of title 38, United States Code, in accordance with such alternative increased rates and limitations.

(2) In the computation of alternative increased rates and limitations pursuant to paragraph (1)(B), amounts of $0.50 or more shall be rounded to the next higher dollar amount and amounts of less than $0.50 shall be rounded to the next lower dollar amount.

(b) The Administrator may adjust administratively, consistent with the increases authorized by this section, the rates of disability compensation payable to persons within the purview of section 10 of Public Law 85-857 who are not in receipt of compensation payable pursuant to chapter 11 of title 38, United States Code.

(c) If, under subsection (a) of this section, the Administrator is required to compute alternative increased rates and limitations, the Administrator shall publish in the Federal Register such alternative increased rates and limitations and the dollar amounts which would have been increased by the amendments which, but for subsection (a)(1) of this section, would have been made by sections 101 through 106 of this Act. The Administrator shall publish such rates and limitations at the same time as the material required by section 215(i)(2)(D) of the Social Security Act (42 U.S.C. 415(i)(2)(D)) is published by reason of a determination under section 215(i) of such Act.

TITLE II—EDUCATIONAL ASSISTANCE PROGRAM IMPROVEMENTS

DURATION AND LIMITATIONS ON ENTITLEMENT TO POST-VIETNAM ERA VETERANS' EDUCATIONAL ASSISTANCE

SEC. 201. Section 1632 is amended to read as follows:

"(a) Educational assistance benefits shall not be afforded an eligible veteran under this chapter more than 10 years after the date of such veteran's last discharge or release from active duty. In the case of any eligible veteran who was prevented from initiating or completing such veteran's chosen program of education during the delimiting period determined under the first sentence because of a physical or mental disability which was not the result of such veteran's own willful misconduct, such veteran shall, upon application made within 1 year after (1) the last date of the delimiting period otherwise applicable under this section, or (2) the termination date of the period of such mental or physical disability, whichever is later, be granted an extension of the applicable delimiting period for such period as the Administrator determines, from the evidence, that such veteran was so prevented from initiating or completing such program of education. When an extension of the applicable delimiting period is granted a veteran under the preceding sentence, the delimiting period with respect to such veteran shall again begin to run on the first day after such veteran's recovery from such disability on which it is reasonably feasible, as determined in accordance with regulations prescribed by the Administrator, for such veteran to initiate or resume pursuit of a program of education with educational assistance under this chapter.

"(b) In the event an eligible veteran has not utilized any or all of such veteran's entitlement by the end of the 10-year period applicable to the veteran under subsection (a) of this section, such eligible veteran is automatically disenrolled and any contributions made by such veteran remaining in the fund shall be refunded to the veteran after notice of disenrollment is transmitted to the veteran and the veteran applies for such refund. If no application is received within 1 year after the date the notice is transmitted to the veteran, it shall be presumed, for the purposes of section 1322(a) of title 31, that the individual's whereabouts is unknown and the funds shall be transferred as provided in such section.".

EDUCATIONAL AND VOCATIONAL COUNSELING UNDER THE VETERANS' EDUCATIONAL ASSISTANCE PROGRAM

SEC. 202. Section 1663 is amended by inserting immediately after the first sentence the following: "Such counseling shall be required prior to the selection of a program of education or training in any case in which the Administrator, having considered all pertinent evidence of record (including any court adjudication finding the veteran mentally incompetent), has rated the veteran as being incompetent.".

PERIODS OF ELIGIBILITY UNDER THE SURVIVORS' AND DEPENDENTS' EDUCATIONAL ASSISTANCE PROGRAM

SEC. 203. Section 1712(b) is amended by adding at the end thereof the following new paragraph (3):

"(3)(A) Notwithstanding the provisions of paragraph (1) of this subsection, in the case of any eligible person (as defined in clause (B), (C), or (D) of section 1701(a)(1) of this title) who was prevented from initiating or completing such person's chosen program of education within the delimiting period determined under subsection (a) of this section because of a delay in determining such person's eligibility, such person shall, subject to the approval of the Administrator, be permitted to elect a date referred to in subparagraph (B) of this paragraph to commence receiving educational assistance benefits under this chapter.

"(B) The date which an eligible person may elect for the purposes of subparagraph (A) of this paragraph is any date during the period beginning on the date the person became an eligible person within the meaning of clause (B), (C), or (D) of section 1701(a)(1) of this title and ending on the date determined under subparagraph (A), (B), or (C) of paragraph (1) of this subsection to be applicable to such person.".

EDUCATIONAL AND VOCATIONAL COUNSELING UNDER THE SURVIVORS' AND DEPENDENTS' EDUCATIONAL ASSISTANCE PROGRAM

SEC. 204. (a) Section 1720 is amended to read as follows:

"§ 1720. Educational and vocational counseling

"The Administrator may, upon request, arrange for educational or vocational counseling for persons eligible for benefits under this chapter to assist such persons in selecting their educational, vocational, or professional objectives and in developing their programs of education.".

(b)(1) Section 1721 is amended by—

(A) striking out "finally";

(B) striking out clause (1); and

(C) redesignating clauses (2), (3), (4), and (5) as clauses (1), (2), (3), and (4), respectively; and

(2) The catchline of such section is amended to read as follows:

"§ 1721. Approval of application".

(c) The items relating to sections 1720 and 1721 in the table of sections at the beginning of chapter 35 are amended to read as follows:

"1720. Educational and vocational counseling.
"1721. Approval of application.".

EDUCATIONAL ASSISTANCE FOR NONDEGREE PROGRAMS

SEC. 205. (a)(1) Section 1780(a) is amended—

(A) in clause (1), by inserting ", or enrolled in a course which does not lead to a standard college degree if the educational institution offering the course offers courses leading to a standard college degree and courses not leading to a standard college degree and is a fully accredited institution of higher learning," after "college degree"; and

(B) in clause (2), by inserting ", if the educational institution offering the course is not a fully accredited institution of higher learning or does not offer courses leading to a standard college degree and courses not leading to a standard college degree," after "title)".

(2) The third sentence of section 1788(a) is amended by inserting before the period at the end thereof the following:

"unless the educational institution offering the course offers courses leading to a standard college degree and courses not leading to a standard college degree and is a fully accredited institution of higher learning".

(b)(1) The amendments made by subsection (a) of this section shall take effect September 1, 1986.

(2) Benefits shall not accrue by reason of such amendments for periods before September 1, 1986.

PAYMENT OF EDUCATIONAL ASSISTANCE

Sec. 206. Section 1780(f) is amended to read as follows:

"(f) Payment of educational assistance allowance in the case of any eligible veteran or eligible person pursuing a program of education at an educational institution on less than a half-time basis shall be made in an amount computed for the entire quarter, semester, or term at the rate provided in section 1682(b) or 1732(a)(2) of this title, as applicable. Such lump-sum payment shall be made only after the Administrator receives certification from the educational institution that such veteran or person has enrolled in and is pursuing a program at such institution.".

PROHIBITION ON BENEFITS UNDER MORE THAN ONE EDUCATIONAL ASSISTANCE PROGRAM

Sec. 207. Section 1781(b) is amended by striking out "for the pursuit of the same program of education".

DELAY OF CERTAIN REPORTS

SEC. 208. Section 1784(a) is amended—

(1) by striking out "(a) The" and inserting in lieu thereof "(a)(1) Except as provided in paragraph (2) of this subsection, the"; and

(2) by adding at the end thereof the following new paragraph (2):

"(2) In the case of a program of independent study pursued on a less than half-time basis in an educational institution, the Administrator may, upon request by the educational institution, approve a delay by the institution in reporting the enrollment or reenrollment of an eligible veteran or eligible person until the end of the term, quarter, or semester.".

REPEAL OF EDUCATION LOAN PROGRAM

SEC. 209. (a) Section 1662(a) is amended by—

(1) striking out paragraph (2) ; and

(2) redesignating paragraph (3) as paragraph (2).

(b) Section 1682A is repealed.

(c) Section 1686 is repealed.

(d) Section 1712 is amended by—

(1) striking out subsection (f); and

(2) redesignating subsection (g) as subsection (f).

(e) Section 1737 is repealed.

(f) Section 1738 is repealed.

(g) Subchapter III of chapter 36 is repealed.

TECHNICAL AMENDMENTS

SEC. 210. (a)(1) The catchline at the beginning of section 1631 is amended to read as follows:

"§ 1631. Entitlement; payment of benefits".

(2) The table of sections at the beginning of chapter 32 is amended by striking out the item relating to section 1631 and inserting in lieu thereof the following:

"1631. Entitlement; payment of benefits.".

(b) The table of sections at the beginning of chapter 34 is amended by striking out the items relating to sections 1682A and 1686.

(c) The table of sections at the beginning of chapter 35 is amended by striking out the items relating to sections 1737 and 1738.

(d) The table of sections at the beginning of chapter 36 is amended by striking out the items relating to subchapter III and sections 1798 and 1799.

SAVINGS PROVISION

SEC. 211. Notwithstanding the provisions of section 209(g) of this Act—

(1) the Administrator is authorized, with respect to education loans made prior to the date of enactment of this Act, to continue to collect loan principal and interest due, and to declare and recover (or discharge) overpayments, pursuant to the provisions of section

1798, as such section was in effect on the day before the effective date of this Act; and

(2) the Veterans' Administration Education Loan Fund, established by former section 1799(a), shall continue to be maintained in the Treasury of the United States for deposit of the collections referred to in clause (1) of this section, and the Administrator is authorized to transfer all or any part of the sums contained therein to the appropriation for readjustment benefits, from time to time, to be used for the purposes of that appropriation.

TITLE III—HOME LOAN GUARANTY PROGRAM IMPROVEMENTS

CREDIT UNDERWRITING STANDARD

SEC. 301. (a) Section 1810(b)(3) is amended by inserting ", as determined in accordance with the credit underwriting standards prescribed pursuant to subsection (g) of this section" before the semicolon at the end.

(b) Section 1810 is further amended by adding at the end thereof the following new subsections:

"(g)(1) For the purposes of this subsection, the term 'veteran', when used with respect to a loan guaranteed or to be guaranteed under this chapter, includes the veteran's spouse if the spouse is jointly liable with the veteran under the loan.

"(2) For the purpose of determining whether a veteran meets the standards set out in subsection (b)(3) of this section and section 1819(e)(2) of this title, the Administrator shall prescribe in regulations—

"(A) credit underwriting standards to be used in evaluating loans to be guaranteed under this chapter; and

"(B) standards to be used by lenders in obtaining credit information and processing loans to be guaranteed under this chapter.

"(3) In carrying out paragraph (2)(A) of this subsection, the Administrator shall prescribe standards that—

"(A) establish—

"(i) a maximum debt-to-income ratio to apply in the case of the veteran receiving the loan;

"(ii) criteria for evaluating the reliability and stability of the income of the veteran receiving the loan; and

"(iii) procedures for ascertaining the monthly income required by the veteran to meet the anticipated loan payment terms; and

"(B) are designed—

"(i) to assure that, to the maximum extent practicable, a loan guaranteed or made under this chapter will be repaid by the veteran receiving the loan in accordance with the loan agreement;

"(ii) reflect the loan underwriting principles generally accepted and used by commercial lending institutions.

"(4)(A) In carrying out paragraph (2)(B) of this subsection, the Administrator shall prescribe standards that reflect the loan underwriting procedures that are generally accepted and used by commercial lending institutions and are designed to assure that the lender obtains accurate information on prospective veteran borrowers.

"(B) The standards prescribed under paragraph (2)(B) of this subsection as provided in subparagraph (A) of this paragraph shall include—

"(i) procedures for obtaining verifications of the income, employment, and debts of the veteran; and

"(ii) criteria for acceptable credit reports.

"(5)(A) Any lender submitting a loan to the Administrator to be guaranteed under this chapter shall certify, in such form as the Administrator shall prescribe, that the lender has complied with the credit information and loan processing standards prescribed pursuant to paragraph (2)(B) of this subsection, and that, to the best of the lender's knowledge and belief, the proposed loan meets the underwriting standards prescribed pursuant to paragraph (2)(A) of this subsection.

"(B) Any lender who knowingly makes a false certification with respect to a loan under subparagraph (A) of this paragraph shall be liable for a civil penalty equal to two times the amount of the Administrator's loss on such loan or $10,000, whichever is greater. All determinations necessary to carry out this subparagraph shall be made by the Administrator.

"(6) The Administrator may waive the application of the credit underwriting standards prescribed pursuant to this subsection in extraordinary circumstances. The Administrator shall prescribe restrictive guidelines specifying the criteria under which a waiver may be made under this paragraph.

"(h) The Administrator shall require each veteran who applies for a loan to be guaranteed under this chapter to certify whether the veteran has or has not been previously rejected for a loan for which the property which was to be used as the security is the same property which is to be used as security for the loan to be guaranteed under this chapter.".

(c) Section 1819(e)(2) is amended by inserting "as determined in accordance with the credit underwriting standards prescribed pursuant to section 1810(g) of this title and" after "credit risk,".

LOAN GUARANTY AMOUNT

SEC. 302. (a) Section 1810(c) is amended by striking out "$27,500" and inserting in lieu thereof "$32,500".

(b) Section 1811(d)(2)(A) is amended by striking out "$27,500" each place it appears and inserting in lieu thereof "$32,500".

DEFAULT NOTIFICATION AND FORECLOSURE PROCEDURES; FORECLOSURE INFORMATION

SEC. 303. (a) The first sentence of section 1816(a)(1) is amended to read as follows: "The holder of a loan guaranteed under this chapter shall promptly notify the Administrator of any failure of the debtor under the loan to make two consecutive monthly payments due on the loan.".

(b) Section 1816(a)(2) is amended by inserting before the first sentence the following: "Within 15 days after the first date on which a veteran has failed to make four consecutive monthly payments due on any loan guaranteed under this chapter, the holder of the loan shall initiate foreclosure.".

(c) Section 1816 is further amended by adding at the end thereof the following new subsections:

"(e) If a holder of a loan guaranteed under this chapter fails to initiate foreclosure on the loan as required by paragraph (2) of this subsection, other than during a period of forebearance approved by the Administrator under such paragraph, the Administrator shall not be liable under the guarantee for interest accruing on such loan during the period beginning on the date the holder should have initiated the foreclosure and ending on the date the holder initiates the foreclosure.

"(f)(1) The Administrator shall identify and compile information on common factors which contribute to foreclosures on loans guaranteed under this chapter.

"(2) The Administrator shall transmit to the Committees on Veterans' Affairs of the Senate and the House of Representatives an annual report on the Administrator's findings under paragraph (1) of this subsection.".

FORECLOSED LOANS PROPERTY MANAGEMENT PILOT PROGRAM

SEC. 304. (a) Subchapter II of chapter 37 is amended by adding at the end thereof the following new section:

"§ 1819A. Foreclosed loans property management pilot program

"(a) In order to evaluate the effectiveness, feasibility, and desirability of contracting with commercial organizations to perform the functions of management and disposal of property acquired by the Veterans' Administration under this chapter, the Administrator of Veterans' Affairs, during the period beginning April 1, 1986, and ending September 30, 1987, shall conduct a pilot program to contract with commercial organizations for the performance of such functions.

"(b) In order to carry out the pilot program under this section, the Administrator shall—

"(1) designate a representative nationwide sample of 10 percent of the inventory of properties held by the Veterans' Administration and referred to in subsection (a) of this section; and

"(2) enter into contracts with commercial organizations which would utilize local real estate brokers and other real estate sales professionals to manage and dispose of the properties in the designated sample.

"(c) Not later than March 3, 1988, the Administrator shall transmit to the Committees on Veterans' Affairs of the Senate and the House of Representatives a report on the experience under the pilot program. The report shall include—

"(1) the Administrator's assessment of—

"(A) the effectiveness of the program in providing quality management and timely disposition of properties acquired by the Veterans' Administration under this chapter; and

"(B) the cost-effectiveness of the program determined by comparing the cost of the program to the cost of management and dispsal of properties by the Veterans' Administration;

"(2) a description of the effects, if any, which the program had on the functions and duties performed by employees of the Veterans' Administration; and

"(3) any recommendations for legislation which the Administrator considers appropriate.".

(b) The analysis at the beginning of such chapter is amended by inserting after the item relating to section 1819 the following new item:

"1819A. Foreclosed loans property management pilot program.".

USE OF ATTORNEYS IN HOME LOAN FORECLOSURES

SEC. 305. The second sentence of section 1830(a) is amended by striking out "With the concurrence of the Attorney General of the United States, the" and inserting in lieu thereof "The".

DETERMINATIONS OF REASONABLE VALUE

SEC. 306. (a)(1) Subchapter III of chapter 37 is amended by adding at the end thereof the following new section 1831:

"§ 1831. Determination of reasonable value

"Whenever the reasonable value of any property, construction, repairs, or alterations is required to be made for the purposes of this chapter in connection with a loan guaranteed or proposed to be guaranteed under this chapter, the reasonable value shall be determined by an appraiser designated by the lender of such loan.".

(2) The chapter analysis at the beginning of such chapter is amended by inserting after the item relating to section 1831 the following new item:

"1831. Determination of reasonable value.".

(b) Section 1810(b)(5) is amended by striking out "as determined by the Administrator".

(c) Section 1819(e)(4) is amended by striking out ", as determined by the Administrator" in subclauses (B) and (C).

USE OF REAL ESTATE PROFESSIONALS TO DISPOSE OF FORECLOSED PROPERTY

SEC. 307. (a) Subchapter III of chapter 37, as amended by section 306 of this Act, is further amended by adding at the end thereof the following new section 1832:

"§ 1832. Use of real estate professionals to dispose of foreclosed property

"(a) The Administrator shall furnish to real estate brokers and other real estate professionals information on the availability of real property for disposition under this chapter and the procedures used by the Veterans' Administration to dispose of such property.

"(b) The Administrator shall, to the maximum extent practicable—

"(1) coordinate with real estate brokers and other real estate sales professionals for the purpose of expeditiously disposing of property acquired by the Veterans' Administration under this chapter; and

"(2) allocate sufficient resources to carry out the purpose specified in clause (1) of this subsection.".

(b) The chapter analysis at the beginning of such chapter is amended by inserting after the item relating to section 1831, as added by section 306(a)(2) of this Act, the following new item:

"1832. Use of real estate professionals to dispose of foreclosed property.".

TASK FORCE ON MANAGEMENT AND DISPOSITION OF PROPERTY

SEC. 308. (a) Subchapter III of chapter 37, as amended by sections 306 and 307 of this Act, is further amended by adding at the end thereof the following new section 1833:

"§ 1833. Task Force on Management and Disposition of Property

"(a)(1) The Administrator shall establish a task force to be known as the Task Force on Management and Disposition of Property (hereafter in this section referred to as the "Task Force").

"(2) The purposes of the Task Force are—

"(A) to exchange information between the Veterans' Administration and the real estate industry on efficient real property management and disposition practices and current developments in such practices; and

"(B) to advise the Administrator on ways to improve the manner in which the Veterans' Administration manages and disposes of real property acquired under this chapter.

"(3) The members of the Task Force shall be appointed by the Administrator and shall include—

"(A) appropriate representatives of the Veterans' Administration;

"(B) real estate brokers and other real estate sales professionals; and

"(C) representatives of residential real property management businesses.

"(4) The Administrator shall designate one member of the Task Force to be the Chairman.

"(5) The Administrator shall prescribe the number and terms of service (not to exceed 3 years) of members of the Task Force and the pay and allowances payable for service on the Task Force in the case of members of the Task Force who are not employees of the Federal Government.

"(b) The Administrator shall, on a regular basis, consult with and seek the advice of the Task Force with respect to matters relating to the purposes of the Task Force.

"(c)(1) Not later than July 1, 1986, and not later than July 1 of each second year thereafter, the Task Force shall submit to the Administrator a report on the activities of the Task Force during the preceding year and such recommendations relating to the purposes of the Task Force as the Task Force considers appropriate.

"(2) The Task Force may also submit to the Administrator such other reports relating to the purposes of the Task Force as the Task Force considers appropriate and may include recommendations with respect to matters relating to such purposes in such reports.

"(d)(1) Not later than 30 days after the date the Administrator receives an annual report required by subsection (c)(1) of this section, the Administrator shall submit such report to the Committees on Veterans' Affairs of the Senate and the House of Representatives. The Administrator shall include with such report any comments concerning the report that the Administrator considers appropriate.

"(2) The Administrator shall submit with each annual report submitted to the Congress pursuant to section 214 of this title—

"(A) a summary of all reports and recommendations submitted by the Task Force pursuant to subsection (c) of this section since the date on which the previous annual report was submitted under such section 214; and

"(B) a summary of all actions taken by the Administrator since such date to implement any recommendations made to the Administrator by the Task Force under subsection (c) of this section before, on, or after such date.

"(e) The Administrator shall furnish the Task Force such administrative services as is necessary for the Task Force to carry out its functions under this section.".

(b) The chapter analysis at the beginning of such chapter is amended by inserting after the item relating to section 1832, as added by section 307(a) of this Act, the following new item:

"1833. Task Force on Management and Disposition of Property.".

EFFECTIVE DATES

SEC. 309. (a) The amendments made by sections 301, 302, and 303 shall take effect 180 days after the date of enactment of this Act.

(b) The amendment made by section 306 shall take effect with respect to loans guaranteed under chapter 37 more than 180 days after the date of enactment of this Act.

TITLE IV—MISCELLANEOUS PROVISIONS

NATIONAL CEMETERY GRAVE MARKERS

SEC. 401. (a) Section 1004(c) is amended—

(1) by inserting "(1)" after "(c)"; and

(2) by adding at the end thereof the following new paragraphs (2) and (3):

"(2)(A) The Administrator shall designate a section in each national cemetery in which a person eligible for interment may be buried in a grave to be marked with an upright grave marker.

"(B) Subparagraph (A) shall not apply to a national cemetery established before the date of enactment of the Veterans' Compensation and Benefits Improvements Act of 1985 if the Administrator has never authorized graves in such cemetery to be marked with upright markers.

"(3)(A) Except as provided in subparagraph (B) of this paragraph, each marker in a national cemetery shall be flat.

"(B) If the person to be buried in a national cemetery (or the survivor or the legal representative of the person to be buried) has requested that the person's grave be marked with an upright marker, the person shall be buried in a cemetery section designated for graves marked with upright markers, and an upright marker shall be used to mark the grave of such person.".

(b) The amendments made by subsection (a) shall apply with respect to markers for the graves of persons who die on or after January 1, 1986.

MEMORIAL AREAS IN ARLINGTON NATIONAL CEMETERY

SEC. 402. (a) Chapter 75 of title 10, United States Code, is amended by adding at the end thereof the following new section 1491:

"§ 1491. Memorial areas in Arlington National Cemetery

"(a) The Secretary of the Army may set aside, when available, suitable areas in Arlington National Cemetery, Virginia, to honor the memory of members of the armed forces and veterans (as defined in section 101(2) of title 38)—

"(1) who are missing in action;

"(2) whose remains have not been recovered or identified;

"(3) whose remains were buried at sea, whether by the member's or veteran's own choice or otherwise;

"(4) whose remains were donated to science; or

"(5) whose remains were cremated and whose ashes were scattered without interment of any portion of the ashes.

"(b) Under regulations prescribed by the Secretary, appropriate memorials or markers may be erected in Arlington National Cemetery to honor the memory of those individuals, or group of individuals, referred to in subsection (a).".

(b) The table of sections at the beginning of such chapter is amended by adding at the end thereof the following new item:

"1491. Memorial areas in Arlington National Cemetery.".

ESTATE LIMITATIONS RELATING TO INCOMPETENT INSTITUTIONALIZED VETERANS

Sec. 403. Section 3203(b)(1)(A) is amended—

(1) by striking out "$1,500" and inserting in lieu thereof "$8,000"; and

(2) by striking out "$500" and inserting in lieu thereof "$2,000".

EVALUATION OF THE NEEDS OF NATIVE AMERICAN VETERANS

Sec. 404. (a)(1) The Administrator of Veterans' Affairs shall conduct an evaluation to determine the extent to which the programs and other activities of the Veterans' Administration meet the needs of veterans who are Native Americans, including Alaska Natives (as defined in section 3(b) of the Alaska Native Claims Settlement Act (85 Stat. 689; 43 U.S.C. 1602(b))).

(2) The evaluation required by paragraph (1) shall include—

(A) an assessment of the needs of the veterans referred to in such paragraph for health care, rehabilitation, readjustment counseling, drug and alcohol counseling, outreach services, and other benefits and assistance under programs administered by the Veterans' Administration; and

(B) a review of the manner in which and the extent to which the programs and other activities of the Veterans' Administration meet such needs.

(b) In conducting the evaluation required by subsection (a), the Administrator may utilize information or studies which have been obtained or completed by other departments, agencies, or instrumentalities of the Federal Government or by any State or local government, as the Administrator considers appropriate.

(c) Not later than October 1, 1987, the Administrator shall transmit to the Committees on Veterans' Affairs of the Senate and the House of Representatives a report of the Administrator's findings resulting from the evaluation required by subsection (a).

COLLOCATION OF REGIONAL OFFICES AND MEDICAL CENTERS; CONSOLIDATION OF REGIONAL OFFICES

SEC. 405. (a)(1) Not later than September 30, 1987, the Administrator of Veterans' Affairs shall collocate at least 5 regional offices of the Veterans' Administration described in paragraph (3) with Veterans' Administration medical centers.

(2)(A) Not later than September 30, 1986, the Administrator shall report to the Committees on Veterans' Affairs of the Senate and the House of Representatives on the feasibility of collocating more than 5 regional offices of the Veterans' Administration described in paragraph (3) with Veterans' Administration medical centers.

(B) The report required by subparagraph (A) shall include—

(i) an analysis of the estimated costs and savings which would result from the collocations; and

(ii) the benefits and costs of furnishing personnel, supply, administration, and finance services and other supporting services jointly to regional offices of the Veterans' Administration and Veterans' Administration medical centers.

(3) The regional offices referred to in paragraphs (1) and (2) are regional offices of the Veterans' Administration which are not located at Veterans' Administration medical centers on the date of the enactment of this Act.

(b)(1) The Administrator of Veterans' Affairs shall assess the benefits and costs of combining regional offices of the Veterans' Administration which, on the date of enactment of this Act, are located near each other.

(2) The Administrator shall include the results of the assessment required by paragraph (1) in the report required by subsection (a)(2).

REDESIGNATION AND EXTENSION OF THE EMERGENCY VETERANS' JOB TRAINING ACT OF 1983

SEC. 406. (a)(1) The first sentence of section 1 of Public Law 98-77 (29 U.S.C. 1721 note) is amended to read as follows: "This Act may be cited as the 'Veterans' Job Training Act of 1983'.".

(2) Any reference in any Federal law to the Emergency Veterans' Job Training Act of 1983 shall be deemed to refer to the Veterans' Job Training Act of 1983.

(b) Section 16 of such Act is amended by inserting "and $55,000,000 for fiscal year 1986" in the first sentence after "and 1985".

(c) Section 17 of such Act is amended—

(1) in clause (1), by striking out "after February 28, 1985" and inserting in lieu thereof "more than one year after the date of enactment of the Veterans' Compensation and Benefits Improvements Act of 1985";

(2) in clause (2), by striking out "after July 1, 1986" and inserting in lieu thereof "more than 18 months after the date of enactment of the Veterans' Compensation and Benefits Improvements Act of 1985";

(3) by inserting "(a)" after "Sec. 17."; and

(4) by adding at the end thereof the following new subsection:

"(b) Notwithstanding subsection (a), if funds are not appropriated for fiscal year 1986 pursuant to the authorization contained in section 16 and made available by the Director of the Office of Management and Budget on or before January 1, 1986, for the purpose of making payments to employers under this Act, assistance may be paid to an employer under this Act on behalf of a veteran if the veteran—

"(1) applies for a program of job training under this Act within one year after the date on which funds so appropriated are made available to the Veterans' Administration by the Director; and

"(2) begins participation in such program within 18 months after such date.".

(d) Section 5(a)(1)(B) of such Act is amended by striking out "fifteen of the twenty" and inserting in lieu thereof "10 of the 20".

EVALUATION OF VETERANS' JOB TRAINING

SEC. 407. (a) For the purposes of this section:

(1) The term "private industry council" means a private industry council established pursuant to section 102 of the Job Training Partnership Act (29 U.S.C. 1512).

(2) The term "service delivery area" means a service delivery area established pursuant to section

101 of the Job Training Partnership Act (29 U.S.C. 1511).

(b)(1) The Secretary of Labor shall evaluate the feasibility and advisability of establishing and administering, under part C of title IV of the Job Training Partnership Act, a program described in paragraph (2).

(2) The program referred to in paragraph (1) is a program under which, upon the Secretary's determination and declaration of a severe State or regional employment deficiency or a veterans' employment deficiency in a State or service delivery area, grants are made from a veterans' job training grant fund to a State or appropriate private industry council to fund an on-the-job training program which is similar in structure and purpose to the job training program established under the Veterans' Job Training Act of 1983 (as redesignated by section 405(a)(1)) and is to be conducted in such State or service delivery area.

(c) Not later than 90 days after the date of enactment of this Act, the Secretary of Labor shall transmit to the Committees on Veterans' Affairs of the Senate and the House of Representatives a report on the evaluation made under subsection (b). The report shall include—

(1) recommended definitions, standards, and implementation procedures for declaring and determining the duration of a severe State or regional employment

deficiency and a veterans' employment deficiency in a State or service delivery area;

(2) recommended procedures for commencing a job training program in a State or service delivery area and for making financial assistance and other resources available for such job training program when a veterans employment emergency is declared with respect to the State or service delivery area;

(3) recommended procedures for administering an emergency veterans' job training grant fund, including recommended minimum and maximum amounts to be maintained in such grant fund, and appropriate amounts to be authorized ;

(4) recommended limits on the amounts of grants to be made to any grantee;

(5) recommended veteran and employer eligibility criteria and entry and completion requirements;

(6) a description of the support and counseling services that are necessary to carry out a State or service delivery area job training program;

(7) the recommended division or divisions of the Department of Labor which would be appropriate—

(A) to administer a grant program described in subsection (b), including the contracting and monitoring functions;

(B) to determine the eligibility criteria for applicants for training and for employer certifications;

(C) to establish findings of veterans' employment deficiencies in States and service delivery areas; and

(D) to verify the level of compliance of grantees, veterans, and employers with the requirements of the grant program and the job training programs funded by the grant program;

(8) the estimated costs of administering and monitoring a job training grant program to be established under part C of title IV of the Job Training Partnership Act; and

(9) such other findings and recommendations, including any recommendations for legislation, which the Secretary considers appropriate.

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II

Calendar No. 438

99TH CONGRESS
1ST SESSION

S. 1887

[Report No. 99–200]

To amend title 38, United States Code, to increase the rates of disability compensation for disabled veterans and the rates of dependency and indemnity compensation for surviving spouses and children of veterans, to improve veterans' education benefits, and to improve the Veterans' Administration home loan guaranty program; to amend titles 10 and 38, United States Code, to improve national cemetery programs; and for other purposes.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 26, 1985

Mr. MURKOWSKI, from the Committee on Veterans Affairs', reported, under authority of the order of the Senate of November 23 (legislative day, November 18), 1985, the following original bill; which was read twice and placed on the calendar

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A BILL

To amend title 38, United States Code, to increase the rates of disability compensation for disabled veterans and the rates of dependency and indemnity compensation for surviving spouses and children of veterans, to improve veterans' education benefits, and to improve the Veterans' Administration home loan guaranty program; to amend titles 10 and 38, United States Code, to improve national cemetery programs; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE AND REFERENCES

SECTION 1. (a) This Act may be cited as the "Veterans' Compensation and Benefits Improvements Act of 1985".

(b) Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of title 38, United States Code.

TITLE I—DISABILITY COMPENSATION AND DEPENDENCY AND INDEMNITY COMPENSATION

RATE INCREASES

SEC. 101. (a) Section 314 is amended—

(1) by striking out "$66" in subsection (a) and inserting in lieu thereof "$68";

(2) by striking out "$122" in subsection (b) and inserting in lieu thereof "$126";

(3) by striking out "$185" in subsection (c) and inserting in lieu thereof "$191";

(4) by striking out "$266" in subsection (d) and inserting in lieu thereof "$274";

(5) by striking out "$376" in subsection (e) and inserting in lieu thereof "$388";

(6) by striking out "$474" in subsection (f) and inserting in lieu thereof "$489";

(7) by striking out "$598" in subsection (g) and inserting in lieu thereof "$617";

(8) by striking out "$692" in subsection (h) and inserting in lieu thereof "$713";

(9) by striking out "$779" in subsection (i) and inserting in lieu thereof "$803";

(10) by striking out "$1,295" in subsection (j) and inserting in lieu thereof "$1,335";

(11) by striking out "$1,609" and "$2,255" in subsection (k) and inserting in lieu thereof "$1,659" and "$2,325", respectively;

(12) by striking out "$1,609" in subsection (l) and inserting in lieu thereof "$1,659";

(13) by striking out "$1,774" in subsection (m) and inserting in lieu thereof "$1,829";

(14) by striking out "$2,017" in subsection (n) and inserting in lieu thereof "$2,080";

(15) by striking out "$2,255" each place it appears in subsections (o) and (p) and inserting in lieu thereof "$2,325";

(16) by striking out "$968" and "$1,442" in subsection (r) and inserting in lieu thereof "$998" and "$1,487", respectively;

(17) by striking out "$1,449" in subsection (s) and inserting in lieu thereof "$1,494"; and

(18) by striking out "$280" in subsection (t) and inserting in lieu thereof "$289".

(b) The Administrator of Veterans' Affairs may adjust administratively, consistent with the increases authorized by this section, the rates of disability compensation payable to persons within the purview of section 10 of Public Law 85-857 who are not in receipt of compensation payable pursuant to chapter 11 of title 38, United States Code.

ADDITIONAL COMPENSATION FOR DEPENDENTS

SEC. 102. Section 315(1) is amended—

(1) by striking out "$79" in clause (A) and inserting in lieu thereof "$81";

(2) by striking out "$132" and "$42" in clause (B) and inserting in lieu thereof "$136" and "$43", respectively;

(3) by striking out "$54" and "$42" in clause (C) and inserting in lieu thereof "$56" and "$43", respectively;

(4) by striking out "$64" in clause (D) and inserting in lieu thereof "$66";

(5) by striking out "$143" in clause (E) and inserting in lieu thereof "$147"; and

(6) by striking out "$120" in clause (F) and inserting in lieu thereof "$124".

AVAILABLE

CLOTHING ALLOWANCE FOR CERTAIN DISABLED VETERANS

SEC. 103. Section 362 is amended by striking out "$349" and inserting in lieu thereof "$360".

DEPENDENCY AND INDEMNITY COMPENSATION FOR SURVIVING SPOUSES

SEC. 104. Section 411 is amended—

(1) by striking out the table in subsection (a) and inserting in lieu thereof the following:

"Pay grade	Monthly rate	Pay grade	Monthly rate
E-1	$491	W-4	$703
E-2	505	O-1	621
E-3	518	O-2	640
E-4	552	O-3	686
E-5	566	O-4	725
E-6	578	O-5	799
E-7	607	O-6	900
E-8	640	O-7	973
E-9	[1] 669	O-8	1,067
W-1	621	O-9	1,145
W-2	645	O-10	[2] 1,255
W-3	664		

"[1] If the veteran served as sergeant major of the Army, senior enlisted advisor of the Navy, chief master sergeant of the Air Force, sergeant major of the Marine Corps, or master chief petty officer of the Coast Guard, at the applicable time designated by section 402 of this title, the surviving spouse's rate shall be $722.

"[2] If the veteran served as Chairman of the Joint Chiefs of Staff, Chief of Staff of the Army, Chief of Naval Operations, Chief of Staff of the Air Force, Commandant of the Marine Corps, or Commandant of the Coast Guard, at the applicable time designated by section 402 of this title, the surviving spouse's rate shall be $1,345.";

(2) by striking out "$55" in subsection (b) and inserting in lieu thereof "$57";

(3) by striking out "$143" in subsection (c) and inserting in lieu thereof "$147"; and

(4) by striking out "$70" in subsection (d) and inserting in lieu thereof "$72".

DEPENDENCY AND INDEMNITY COMPENSATION FOR CHILDREN

SEC. 105. Section 413 is amended—

(1) by striking out "$240" in clause (1) and inserting in lieu thereof "$247";

(2) by striking out "$345" in clause (2) and inserting in lieu thereof "$356";

(3) by striking out "$446" in clause (3) and inserting in lieu thereof "$460"; and

(4) by striking out "$446" and "$90" in clause (4) and inserting in lieu thereof "$460" and "$93", respectively.

SUPPLEMENTAL DEPENDENCY AND INDEMNITY COMPENSATION FOR CHILDREN

SEC. 106. Section 414 is amended—

(1) by striking out "$143" in subsection (a) and inserting in lieu thereof "$147";

(2) by striking out "$240" in subsection (b) and inserting in lieu thereof "$247"; and

(3) by striking out "$122" in subsection (c) and inserting in lieu thereof "$126".

EFFECTIVE DATE

SEC. 107. The amendments made by this title shall take effect on December 1, 1985.

SENSE OF THE CONGRESS REGARDING MAINTAINING THE TAX-EXEMPT STATUS OF DISABILITY COMPENSATION

SEC. 108. It is the sense of the Congress that any payments by the Veterans' Administration to veterans as compensation for service-connected disabilities should remain exempt from Federal income taxation.

TITLE II—EDUCATIONAL ASSISTANCE PROGRAM IMPROVEMENTS

APPRENTICESHIP AND ON-JOB TRAINING UNDER THE NEW GI BILL

SEC. 201. (a) Section 1402 is amended—

(1) by striking out paragraph (3) and inserting in lieu thereof the following:

"(3) The term 'program of education' (A) has the meaning given such term in section 1652(b) of this title, and (B) includes a full-time program of apprenticeship or other on-job training approved as provided in clause (1) or (2), as appropriate, of section 1787(a) of this title."; and

(2) by adding at the end the following new paragraph:

"(7) The term 'training establishment' has the meaning given such term in section 1652(e) of this title.".

(b)(1) Section 1432 is amended by adding at the end the following new subsection:

"(c)(1) In any month in which an individual pursuing a program of education consisting of a program of apprenticeship or other on-job training fails to complete 120 hours of training, the amount of the monthly educational assistance allowance payable under this chapter to the individual shall be limited to the same proportion of the applicable full-time rate as the number of hours worked during such month, rounded to the nearest 8 hours, bears to 120 hours.

"(2)(A) The amount of the monthly educational assistance allowance for an individual pursuing a full-time program of apprenticeship or other on-job training under this chapter shall be reduced by 50 percent for months following the twelfth month of the individual's pursuit of such program.

"(B) An individual's entitlement under this chapter shall be charged at the rate of one-half month for each month that the individual is paid a monthly educational assistance allowance as reduced under subparagraph (A) of this paragraph.".

(2) The heading of such section is amended to read as follows:

"§ 1432. Limitations on educational assistance for certain individuals".

(3) The item relating to such section in the table of sections at the beginning of chapter 30 is amended to read as follows:

"1432. Limitations on educational assistance for certain individuals.".

(c) Section 1434 is amended—

(1) in subsection (a), by striking out the parenthetical matter in the first sentence and inserting in lieu thereof "(with the exception of section 1787)"; and

(2) in subsection (b)(2), by inserting "or training establishment, as the case may be," after "educational institution".

ADJUSTMENT OF DELIMITING PERIOD FOR INDIVIDUALS ENTITLED TO CERTAIN COMBINED BENEFITS

SEC. 202. (a) Section 1411(a)(1)(B) is amended by inserting "and was on active duty on October 19, 1984, and without a break in service since October 19, 1984," after "title".

(b) Section 1412(a)(1)(B) is amended by inserting "and was on active duty on October 19, 1984, and without a break in service since October 19, 1984," after "title".

(c) Section 1431 is amended—

(1) by striking out "(d)" in subsection (a) and inserting in lieu thereof "(e)";

(2) by redesignating subsection (e) as subsection (f); and

(3) by inserting after subsection (d) the following new subsection (e);

"(e) In the case of an individual described in section 1411(a)(1)(B) or 1412(a)(1)(B) of this title who is entitled to basic educational assistance under this chapter, the 10-year period prescribed in subsection (a) of this section shall be reduced by an amount of time equal to the amount of time that such individual was not serving on active duty during the period beginning on January 1, 1977, and ending on October 18, 1984.".

EDUCATIONAL ASSISTANCE FOR CORRESPONDENCE COURSES UNDER THE NEW GI BILL

SEC. 203. Section 1434 is amended—

(1) by redesignating subsection (c) as subsection (d); and

(2) by inserting after subsection (b) the following new subsection (c):

"(c) When an eligible individual is pursuing a program of education under this chapter by correspondence, the individual's entitlement under this chapter shall be charged at the rate of 1 month's entitlement for each month of benefits paid to the individual.".

RESPONSIBILITIES OF THE ADVISORY COMMITTEE ON EDUCATION

SEC. 204. Section 1792 is amended—

(1) in subsection (a), by inserting "30," after "chapter"; and

(2) in subsection (b), by inserting "30," after "chapters".

WORK-STUDY ALLOWANCE UNDER THE NEW GI BILL AND THE POST-VIETNAM ERA VETERANS' EDUCATIONAL ASSISTANCE PROGRAM

SEC. 205. (a) The first sentence of section 1434(a) is amended by striking out "and 1683" and inserting in lieu thereof "1683, and 1685".

(b) Section 1641 is amended by inserting "1685," after "1683,".

(c) The first sentence of section 1685(b) is amended by striking out "education or training under chapters 31 and 34" and inserting in lieu thereof "rehabilitation, education, or training under chapter 30, 31, 32, or 34".

ON-JOB TRAINING UNDER THE POST-VIETNAM ERA VETERANS' EDUCATIONAL ASSISTANCE PROGRAM

SEC. 206. (a) Section 1602 is amended—

(1) by striking out paragraph (2) and inserting in lieu thereof the following:

"(2) The term 'program of education' (A) has the meaning given such term in section 1652(b) of this title, and (B) includes a full-time program of apprenticeship or other on-job training approved as provided in clause (1) or (2), as appropriate, of section 1787(a) of this title."; and

(2) by adding at the end the following new paragraphs:

"(4) The term 'educational institution' has the meaning given such term in section 1652(c) of this title.

"(5) The term 'training establishment' has the meaning given such term in section 1652(e) of this title.".

(b) Section 1631(a)(2) is amended by striking out "The" and inserting in lieu thereof "Except as provided in section 1633 of this title and subject to section 1641 of this title, the".

(c)(1) Subchapter III of chapter 32 is amended by adding at the end the following new section:

"§ 1633. Apprenticeship or other on-job training

"(a)(1) In any month in which an individual pursuing a program of education consisting of a program of apprenticeship or other on-job training fails to complete 120 hours of training, the amount of the monthly educational assistance allowance payable under this chapter to the individual shall be limited to the same proportion of the applicable full-time rate as the number of hours worked during such month, rounded to the nearest 8 hours, bears to 120 hours.

"(2)(A) The amount of the monthly benefit payment to an individual pursuing a full-time program of apprenticeship or of other on-job training under this chapter shall be reduced by 50 percent for months following the twelfth month of the individual's pursuit of such program.

"(B) An individual's entitlement under this chapter shall be charged at the rate of one-half month for each month that the individual is paid a monthly benefit as reduced under subparagraph (A) of this paragraph.".

(2) The table of sections at the beginning of such chapter is amended by inserting after the item relating to section 1632 the following new item:

"1633. Apprenticeship or other on-job training.".

(d) Section 1641 is amended—

(1) by inserting "(a)" before "The";

(2) by striking out "sections 1777, 1780(c), and 1787) shall be applicable to the program." and inserting in lieu thereof "section 1787) shall be applicable with respect to individuals who are pursuing programs of education or training while serving on active duty."; and

(3) by adding at the end the following new subsection:

"(b) The provisions of sections 1663, 1670, 1671, 1673, 1674, 1676, 1683, and 1691(a)(1) of this title and the provisions of chapter 36 of this title (with the exception of section 1787) shall be applicable with respect to individuals who are pursuing programs of education or training following discharge or release from active duty.".

DURATION AND LIMITATIONS ON ENTITLEMENT TO POST-VIETNAM ERA VETERANS' EDUCATIONAL ASSISTANCE

SEC. 207. Section 1632 is amended to read as follows:

"(a)(1) Except as provided in paragraphs (2) and (3) of this subsection, educational assistance benefits shall not be afforded an eligible veteran under this chapter more than 10 years after the date of such veteran's last discharge or release from active duty.

"(2)(A) If any eligible veteran was prevented from initiating or completing such veteran's chosen program of education during the delimiting period determined under paragraph (1) of this subsection because of a physical or mental disability which was not the result of such veteran's own willful misconduct, such veteran shall, upon application made in accordance with subparagraph (B) of this paragraph, be granted an extension of the applicable delimiting period for such length of time as the Administrator determines, from the evidence, that such veteran was so prevented from initiating or completing such program of education.

"(B) An extension of the delimiting period applicable to an eligible veteran may be granted under subparagraph (A) of this paragraph by reason of the veteran's mental or physical disability only if the veteran submits an application for such extension to the Administrator within 1 year after (i) the last date of the delimiting period otherwise applicable to the veteran under paragraph (1) of this subsection, or (ii) the termination date of the period of the veteran's mental or physical disability, whichever is later.

"(3) When an extension of the applicable delimiting period is granted an eligible veteran under paragraph (2) of this subsection, the delimiting period with respect to such veteran shall again begin to run on the first day after such veteran's recovery from such disability on which it is reasonably feasible, as determined in accordance with regulations prescribed by the Administrator, for such veteran to initiate or resume pursuit of a program of education with educational assistance under this chapter.

"(b)(1) In the event that an eligible veteran has not utilized any or all of such veteran's entitlement by the end of the delimiting period applicable to the veteran under subsection (a) of this section, such eligible veteran is automatically disenrolled.

"(2)(A) Any contributions which were made by a veteran disenrolled under paragraph (1) of this subsection and remain in the fund shall be refunded to the veteran after notice of disenrollment is transmitted to the veteran and the veteran applies for such refund.

"(B) If an application for refund of contributions under subparagraph (A) of this paragraph is received from a disenrolled veteran within 1 year after the date the notice referred to in such subparagraph is transmitted to the veteran, it shall be presumed, for the purposes of section 1322(a) of title 31, that the veteran's whereabouts is unknown and the funds shall be transferred as provided in such section.".

EDUCATIONAL AND VOCATIONAL COUNSELING

SEC. 208. Section 1663 is amended by inserting after the first sentence the following: "In any case in which the Administrator has rated the veteran as being incompetent, such counseling shall be required to be provided to the veteran prior to the selection of a program of education or training.".

DELIMITING PERIOD UNDER THE SURVIVORS' AND DEPENDENTS' EDUCATIONAL ASSISTANCE PROGRAM

SEC. 209. Section 1712(b) is amended by adding at the end the following new paragraph (3):

"(3)(A) Notwithstanding the provisions of paragraph (1) of this subsection, any eligible person (as defined in clause (B), (C), or (D) of section 1701(a)(1) of this title) may, subject to the approval of the Administrator, be permitted to elect a date referred to in subparagraph (B) of this paragraph to commence receiving educational assistance benefits under this chapter. The date so elected shall be the beginning date of the delimiting period applicable to such person under this section.

"(B) The date which an eligible person may elect under subparagraph (A) of this paragraph is any date during the period beginning on the date the person became an eligible person within the meaning of clause (B), (C), or (D) of section

1701(a)(1) of this title and ending on the date determined under subparagraph (A), (B), or (C) of paragraph (1) of this subsection to be applicable to such person.".

ELIMINATION OF THE REQUIREMENT FOR AN EDUCATION PLAN FOR SURVIVORS AND DEPENDENTS

SEC. 210. (a) Section 1720 is amended to read as follows:

"§ 1720. Educational and vocational counseling.

"The Administrator may, upon request, arrange for educational or vocational counseling for persons eligible for benefits under this chapter to assist such persons in selecting their educational, vocational, or professional objectives and in developing their programs of education.".

(b)(1) Section 1721 is amended—

(A) by striking out "finally";

(B) by striking out clause (1); and

(C) by redesignating clauses (2), (3), (4), and (5) as clauses (1), (2), (3), and (4), respectively.

(2) The catchline of such section is amended to read as follows:

"§ 1721. Approval of application".

(c) The items relating to sections 1720 and 1721 in the table of sections at the beginning of chapter 35 are amended to read as follows:

"1720. Educational and vocational counseling.
"1721. Approval of application.".

MEASUREMENT OF CERTAIN NONCOLLEGE DEGREE COURSES

SEC. 211. (a)(1) Section 1780(a) is amended—

(A) in clause (1), by inserting a comma and "or a course that meets the requirements of section 1788(a)(7) of this title," after "degree"; and

(B) in clause (2), by inserting "courses that meet the requirements of section 1788(a)(7) of this title and" after "excluding".

(2) Section 1788 is amended—

(1) in subsection (a)—

(A) by striking out "and" at the end of clause (5);

(B) by striking out the period at the end of clause (6) and inserting in lieu thereof a semicolon and "and"; and

(C) by inserting after clause (6) the following new clause:

"(7) an institutional course not leading to a standard college degree, offered by an institution of higher learning in residence on a standard quarter- or semester-hour basis, shall be measured as full time on the same basis as provided in clause (4) of this subsection if (A) such course is approved pursuant to section 1775 of this title, and (B) a majority of the total credits required for the course is derived from unit courses or subjects offered by the institution as part of a course, so approved, leading to a standard college degree."; and

(2) in subsection (c), by striking out "(4)".

(b) Section 1788 is amended by inserting at the end the following new subsection:

"(e) For the purpose of determining whether a course—

"(1) which is offered by an institution of higher learning, and

"(2) for which such institution requires one or more unit courses or subjects for which credit is granted toward a standard college degree

will, during the semester (or quarter or other applicable portion of the academic year) when such unit course or subject is being pursued, be considered full time under clause (1) or (2) of subsection (a) of this section, each of the numbers of hours specified in such clause shall be deemed to be reduced, during such semester (or other portion of the academic year), by the percentage described in the following sentence and rounded as the Administrator may prescribe. Such percentage is the percentage that the number of semester hours (or the equivalent thereof) represented by such unit course or subject is of the number of semester hours (or the equivalent thereof) which, under clause (4) of such subsection, constitutes a full-time institutional undergraduate course at such institution."

PAYMENT OF EDUCATIONAL ASSISTANCE FOR CERTAIN LESS-THAN-HALF-TIME TRAINING

Sec. 212. The first sentence of section 1780(f) is amended by striking out "during" and inserting in lieu thereof "not later than the last day of".

PROHIBITION ON BENEFITS UNDER MORE THAN ONE EDUCATIONAL ASSISTANCE PROGRAM

Sec. 213. Section 1781(b) is amended by striking out "for the pursuit of the same program of education".

REPORTING REQUIREMENTS FOR EDUCATIONAL INSTITUTIONS

Sec. 214. Section 1784(a) is amended—

(1) by striking out "(a) The" and inserting in lieu thereof "(a)(1) Except as provided in paragraph (2) of this subsection, the"; and

(2) by adding at the end the following new paragraph (2):

"(2) In the case of a program of independent study pursued on less than a half-time basis in an educational institution, the Administrator may approve a delay by the educational institution in reporting the enrollment or reenrollment of an eligible veteran or eligible person until the end of the term, quarter, or semester if the educational institution requests the delay and the Administrator determines that it is

AVAILABLE

not feasible for the educational institution to monitor interruption or termination of the veteran's or eligible person's pursuit of such program.".

PROHIBITION OF A TERM-BY-TERM CERTIFICATION REQUIREMENT

SEC. 215. Section 1784(a) (as amended by section 214 of this Act) is further amended by adding at the end the following new paragraph (3):

"(3)(A) Subject to subparagraph (B), an educational institution offering courses on a term, quarter, or semester basis may certify the enrollment of a veteran who is not on active duty or an eligible person in such courses for more than one term, quarter, or semester at a time, but not for a period extending beyond the end of a school year (including the summer enrollment period).

"(B) Subparagraph (A) of this paragraph shall not apply with respect to any term, quarter, or semester for which the veteran or eligible person is enrolled on a less than half-time basis and shall not be construed as restricting the Administrator from requiring that an educational institution, in reporting an enrollment for more than one term, quarter, or semester, specify the dates of any intervals within or between any such terms, quarters, or semesters.".

COMMISSION TO ASSESS VETERANS' EDUCATION POLICY

SEC. 216. (a)(1) There is established a Commission on Veterans' Education Policy (hereafter in this section referred to as the "Commission").

(2)(A) The Commission shall consist of 11 members, 10 of whom shall be appointed by the Administrator of Veterans' Affairs in consultation with the chairmen and the ranking minority members of the Committees on Veterans' Affairs of the Senate and of the House of Representatives (hereafter in this section referred to as "the Committees"), and 1 of whom shall be the Chairman of the Advisory Committee on Education established under section 1792 of title 38, United States Code.

(B) The members of the Commission (i) shall be broadly representative of entities engaged in providing education and training and of veterans' service organizations, and (ii) shall be selected on the basis of their knowledge of and experience in education and training policy and the implementation of such policy with respect to programs of assistance administered by the Veterans' Administration.

(3) The Administrator of Veterans' Affairs, the ex officio members of the Advisory Committee on Education referred to in paragraph (2)(A), and the chairmen and ranking minority members of the Committees, or a designee of any such

individual, shall be ex officio, nonvoting members of the Commission.

(4)(A) The Administrator shall designate a member from among the voting members of the Commission to chair the Commission.

(B) The chairperson of the Commission, with the concurrence of the Commission, shall appoint an executive director, who shall be the chief executive officer of the Commission and shall perform such duties as are prescribed by the Commission.

(C) The Administrator shall furnish the Commission with such professional, technical, and clerical staff and services as the Commission determines necessary for the Commission to carry out the provisions of this section effectively.

(b)(1) Not later than 18 months after the date on which at least 8 members of the Commission have been appointed, the Commission shall submit a report on the Commission's findings and recommendations on the matters described in paragraph (2) of this subsection to the Administrator and the Committees.

(2) The report required by paragraph (1) shall include the Commission's findings, views, and recommendations on the following matters:

(A) The need for distinctions between certificate-granting courses and degree-granting courses.

(B) The measurement of courses for the purposes of payment of educational assistance benefits.

(C) The vocational value of courses offered through home study.

(D) The role of innovative and nontraditional programs of education and the manner in which such programs should be treated for purposes of payment of educational assistance benefits by the Veterans' Administration.

(E) Such other matters relating to administration of chapters 30, 31, 32, 34, 35, and 36 of title 38, United States Code, by the Veterans' Administration as (i) the Commission considers appropriate or necessary, or (ii) are suggested by the Administrator or, concurrently, by the chairmen and ranking minority members of the Committees.

(c)(1) Not later than 6 months after the date on which the report is submitted under subsection (b), the Administrator shall submit an interim report to the Committees. The interim report shall contain—

(A) the Administrator's views on the desirability, feasibility, and cost of implementing each of the Commission's recommendations, and the actions taken or planned with respect to the implementation of such recommendations;

(B)(i) the Administrator's views on any legislation or regulations proposed by the Commission, (ii) the Administrator's views on the need for any alternative or additional legislation or regulations to implement the Commission's recommendations, (iii) the Administrator's recommendations for any such alternative or additional legislation, (iv) the proposed text of any regulations referred to in subclause (i) or (ii) which the Administrator considers necessary and the proposed text of any legislation referred to in such subclause which is recommended by the Administrator, and (v) a cost estimate for the implementation of any regulations and legislation referred to in such subclause; and

(C) any other proposals that the Administrator considers appropriate considering the Commission's report.

(2) Not later than 90 days after the date on which the Administrator's interim report is submitted under paragraph (1), the Commission shall submit a report to the Administrator and the Committees containing the Commission's views on the Administrator's interim report.

(3) Not later than 2 years after the date on which the Commission's report is submitted under subsection (b), the Administrator shall submit a final report to the Committees. The final report shall include the actions taken with respect

to the recommendations of the Commission and any further recommendations the Administrator considers appropriate.

(d) The Commission shall terminate 90 days after the date on which the Administrator submits the final report required by subsection (c)(3).

TECHNICAL AMENDMENTS

SEC. 217. (a) Section 1431(e)(2) is amended by inserting "not" after "educational institution".

(b)(1) The catchline of section 1631 is amended to read as follows:

"§ 1631. Entitlement; payment of benefits".

(2) The table of sections at the beginning of chapter 32 is amended by striking out the item relating to section 1631 and inserting in lieu thereof the following:

"1631. Entitlement; payment of benefits.".

(c) Section 1781(b)(2) is amended by striking out "Chapter 107" and inserting in lieu thereof "Chapters 106 and 107".

TITLE III—SPECIALLY ADAPTED HOUSING AND HOME LOAN GUARANTY PROGRAM IMPROVEMENTS

SPECIALLY ADAPTED HOUSING

SEC. 301. (a) Section 801(b)(1) is amended by inserting before the period at the end the following: "or in acquiring a residence already adapted with special features determined by the Administrator to be reasonably necessary for the veteran because of such disability".

(b) Section 802(b)(1) is amended by striking out "cost" and inserting in lieu thereof "cost, or, in the case of a veteran acquiring a residence already adapted with special features, the fair market value,".

CREDIT UNDERWRITING AND LOAN PROCESSING STANDARDS

SEC. 302. (a) Section 1810(b)(3) is amended by inserting a comma and "as determined in accordance with the credit underwriting standards established pursuant to subsection (g) of this section" before the semicolon at the end.

(b) Section 1810 is further amended by adding at the end the following new subsection:

"(g)(1) For the purposes of this subsection, the term 'veteran', when used with respect to a loan guaranteed or to be guaranteed under this chapter, includes the veteran's spouse if the spouse is jointly liable with the veteran under the loan.

"(2) For the purpose of determining whether a veteran meets the standards referred to in subsection (b)(3) of this section and section 1819(e)(2) of this title, the Administrator shall prescribe regulations which establish—

"(A) credit underwriting standards to be used in evaluating loans to be guaranteed under this chapter; and

"(B) standards to be used by lenders in obtaining credit information and processing loans to be guaranteed under this chapter.

"(3) In the regulations prescribed under paragraph (2) of this subsection, the Administrator shall establish standards that—

"(A) include—

"(i) debt-to-income ratios to apply in the case of the veteran applying for the loan;

"(ii) criteria for evaluating the reliability and stability of the income of the veteran applying for the loan; and

"(iii) procedures for ascertaining the monthly income required by the veteran to meet the anticipated loan payment terms; and

"(B) are designed to be in accordance with the loan underwriting principles and application procedures generally accepted and used by commercial lending institutions with respect to loans with comparable security arrangements.

"(4)(A) Any lender making a loan under this chapter shall certify, in such form as the Administrator shall prescribe, that the lender has complied with the credit information and loan processing standards established under paragraph (2)(B) of this subsection, and that, to the best of the lender's knowledge and belief, the loan meets the underwriting standards established under paragraph (2)(A) of this subsection.

"(B) Any lender who knowingly and willfully makes a false certification under subparagraph (A) of this paragraph shall be liable to the United States Government for a civil penalty equal to two times the amount of the Administrator's loss on the loan involved or to another appropriate amount, not to exceed $10,000, whichever is greater. All determinations necessary to carry out this subparagraph shall be made by the Administrator.

"(5) Pursuant to regulations prescribed to carry out this paragraph, the Administrator may, in extraordinary situations, waive the application of the credit underwriting standards established under paragraph (2) of this subsection when the Administrator determines, considering the totality of circumstances, that the veteran is a satisfactory credit risk.".

(c) Section 1816 is amended by adding at the end the following new subsection:

"(e) The Administrator may not make a loan to finance a purchase of property acquired by the Administrator as a result of a default on a loan guaranteed under this chapter unless the purchaser meets the credit underwriting standards established under section 1810(g)(2)(A) of this title.".

(d) Section 1819(e)(2) is amended by inserting "as determined in accordance with the regulations prescribed under section 1810(g) of this title and" after "credit risk,".

LOAN GUARANTY AMOUNT

SEC. 303. (a) Section 1810(o) is amended by striking out "$27,500" and inserting in lieu thereof "$33,500".

(b) Section 1811(d)(2)(A) is amended by striking out "$27,500" each place it appears and inserting in lieu thereof "$33,500".

DEFAULT NOTIFICATION AND FORECLOSURE PROCEDURES; FORECLOSURE INFORMATION

SEC. 304. (a) Section 1816(a)(1) is amended by striking out the first sentence and inserting in lieu thereof the following: "The holder of a loan guaranteed under this chapter shall promptly notify the Administrator of any failure of the debtor under the loan to make in full two monthly payments due on the loan. Within 15 days after the date on which the Administrator receives such notification, the Administrator shall notify the veteran of the requirement set forth in paragraph (4) of this subsection.".

(b) Section 1816(a) is further amended by adding at the end the following new paragraph:

"(4) Except as provided in paragraph (2) of this subsection, not later than 15 days after the first date on which a veteran has failed to make in full four monthly payments due on any loan guaranteed under this chapter, the holder of the loan shall initiate foreclosure.".

(c) Section 1816 is further amended by adding at the end the following new subsections:

"(e) If a holder of a loan guaranteed under this chapter fails to initiate foreclosure on the loan as required by subsection (a)(4) of this section, the Administrator shall not be liable under the guaranty for interest accruing on such loan during the period beginning on the date the holder should have initiated the foreclosure and ending on the date the holder initiates the foreclosure.

"(f)(1) The Administrator shall identify and compile information on common factors which the Administrator finds contribute to foreclosures on loans guaranteed under this chapter.

"(2) The Administrator shall include the Administrator's findings under paragraph (1) of this subsection in the annual report submitted to the Congress under section 214 of this title.".

COMPETITIVE CONTRACTING REQUIREMENTS

SEC. 305. Section 1820(b) is amended by striking out "$1,000" and inserting in lieu thereof "the amount prescribed in clause (1) of the first sentence of such section".

AUTHORITY TO TRANSFER FUNDS

SEC. 306. Section 1823 is amended by adding at the end the following new subsection:

"(d)(1) The Secretary of the Treasury shall transfer from the direct loan revolving fund to the loan guaranty revolving fund established by section 1824(a) of this title such amounts as the Administrator determines are not needed in the direct loan revolving fund.

"(2) Not later than 30 days after the date on which the Administrator makes a transfer under paragraph (1) of this subsection, the Administrator shall submit a notice of such transfer to the appropriate committees of the Congress.".

USE OF ATTORNEYS IN HOME LOAN FORECLOSURES

SEC. 307. The second sentence of section 1830(a) is amended by striking out "With the concurrence of the Attorney General of the United States, the" and inserting in lieu thereof "The".

APPRAISALS

SEC. 308. (a) Subchapter III of chapter 37 is amended by adding at the end the following new section 1831:

"§ 1831. Appraisals

"(a) The Administrator shall—

"(1) prescribe—

"(A) standardized examinations on appraising, taking into consideration local appraising practices; and

"(B) uniform qualifications for appraisers;

"(2) use such examinations and qualifications in determining whether to approve an appraiser to make appraisals of the reasonable value of any property, construction, repairs, or alterations for the purposes of this chapter; and

"(3) in consultation with appropriate representatives of institutions which are regularly engaged in making housing loans, develop and maintain a list of appraisers who are approved under clause (2) of this subsection to make appraisals for the purposes of this chapter.

"(b) The Administrator shall select appraisers from the list required by subsection (a)(3) of this section on a rotating basis to make appraisals for the purposes of this chapter.

"(c) The Administrator shall furnish a copy of the appraisal made of property for the purposes of this chapter to the lender proposing to make the loan which is to be secured by such property and is to be guaranteed under this chapter.

"(d) If a lender—

"(1) has proposed to make a loan to be guaranteed under this chapter,

"(2) has been furnished an appraisal of the reasonable value of any property or of any construction, repairs, or alterations of property which is to be the security for such loan, as required by subsection (c) of this section, and

"(3) within a reasonable period prescribed by the Administrator, has furnished to the Administrator an additional appraisal of the reasonable value of such property, construction, repairs, or alterations which was made by an appraiser selected by the lender from the list required by subsection (a)(3) of this section,

the Administrator shall consider both the initial appraisal and the additional appraisal before issuing a certificate of reasonable value of such property, construction, repairs, or alterations.

"(e) The Administrator shall establish such appraisal fee limitations as the Administrator considers appropriate to ensure that appraisers making appraisals in any locality for the purposes of this chapter are paid a fee which is comparable to fees generally paid for other comparable appraisals in such locality.".

(b) The table of sections at the beginning of such chapter is amended by inserting after the item relating to section 1830 the following new item:

"1831. Appraisals.".

FURNISHING INFORMATION TO REAL ESTATE PROFESSIONALS TO FACILITATE THE DISPOSITION OF PROPERTIES

SEC. 309. (a) Subchapter III of chapter 37 (as amended by section 308 of this Act) is further amended by adding at the end the following new section 1832:

AVAILABLE

"§ 1832. Furnishing information to real estate professionals to facilitate the disposition of properties

"The Administrator shall furnish to real estate brokers and other real estate sales professionals information on the availability of real property for disposition under this chapter and the procedures used by the Veterans' Administration to dispose of such property.".

(b) The table of sections at the beginning of such chapter is amended by inserting after the item relating to section 1831, as added by section 308(b) of this Act, the following new item:

"1832. Furnishing information to real estate professionals to facilitate the disposition of properties.".

TASK FORCE ON MANAGEMENT AND DISPOSITION OF PROPERTY

SEC. 310. (a)(1) Not later than 90 days after the date of the enactment of this Act, the Administrator of Veterans' Affairs shall establish a task force to be known as the Task Force on Management and Disposition of Property (hereafter in this section referred to as the "Task Force"). The Task Force shall terminate 3 years after the date on which the Task Force is established.

(2) The purposes of the Task Force are—

(A) to develop effective methods for the exchange of information between the Veterans' Administration and the real estate industry on efficient real property management and disposition practices and new developments in such practices; and

(B) to advise the Administrator on ways to improve the manner in which the Veterans' Administration manages and disposes of real property acquired under chapter 37 of title 38, United States Code.

(3) The members of the Task Force shall be appointed by the Administrator and shall include—

(A) appropriate representatives of the Veterans' Administration;

(B) real estate brokers and other real estate sales professionals; and

(C) representatives of commercial residential real property management organizations.

(4) The Administrator shall designate one member to chair the Task Force.

(5) The Administrator shall prescribe the number and terms of service of members of the Task Force.

(b) The Administrator shall, on a regular basis, consult with and seek the advice of the Task Force with respect to matters relating to the purposes of the Task Force.

(c)(1)(A) Not later than 16 months after the date on which the Task Force is established under subsection (a), the Task Force shall submit to the Administrator a report on the activities of the Task Force during the preceding year.

(B) Not later than the day before the date on which the Task Force terminates, the Task Force shall submit to the Administrator a final report on the activities of the Task Force.

(C) Each report required by this paragraph shall include such recommendations relating to the purposes of the Task Force as the Task Force considers appropriate.

(2) The Task Force may also submit to the Administrator such other reports relating to the purposes of the Task Force as the Task Force considers appropriate and may include recommendations with respect to matters relating to such purposes in such reports.

(d) Not later than 60 days after the date on which the Administrator receives a report required by subsection (c)(1) of this section, the Administrator shall submit such report, together with such comments and recommendations as the Administrator considers appropriate, to the Committees on Veterans' Affairs of the Senate and the House of Representatives

PROPERTY MANAGEMENT AND DISPOSAL PILOT PROGRAM

SEC. 311. (a) In order to evaluate the effectiveness, feasibility, and desirability of contracting with commercial organizations to perform the functions of management and disposal of properties acquired by the Veterans' Administration under chapter 37 of title 38, United States Code, the Administrator of Veterans' Affairs, during the period beginning

April 1, 1986, and ending September 30, 1987, shall conduct a pilot program under which the Administrator shall contract with one or more qualified commercial organizations for the performance of such functions.

(b) In order to carry out the pilot program under this section, the Administrator shall—

(1) designate a representative nationwide sample of 10 percent of the inventory of properties held by the Veterans' Administration and referred to in subsection (a); and

(2) enter into contracts with one or more qualified commercial organizations to manage the properties in the designated sample and to dispose of such properties through the use of local real estate brokers and other real estate sales professionals.

(c) Not later than February 1, 1988, the Administrator shall submit to the Committees on Veterans' Affairs of the Senate and the House of Representatives a report on the experience under the pilot program. The report shall include—

(1) the Administrator's assessment of the cost effectiveness of the program taking into account—

(A) the effectiveness of the program in providing quality management and timely disposition of properties acquired by the Veterans' Adminis-

AVAILABLE

tration under chapter 37 of title 38, United States Code; and

(B) a comparison of the cost of the program with the cost of management and disposal of properties by the Veterans' Administration under such chapter;

(2) a description of the effects, if any, which the program had on the functions and duties performed by employees of the Veterans' Administration; and

(3) any recommendations for legislation which the Administrator considers appropriate.

EFFECTIVE DATES

SEC. 312. (a) The amendments made by sections 302, 303, 304, and 308 shall take effect September 1, 1986.

(b) The amendments made by section 301 shall apply with respect to residences acquired after the date of the enactment of this Act.

TITLE IV—NATIONAL CEMETERY SYSTEM

NATIONAL CEMETERY GRAVE MARKERS

SEC. 401. (a) Section 1004(c) is amended—

(1) by inserting "(1)" after "(c)"; and

(2) by adding at the end the following new paragraphs (2) and (3):

"(2)(A) Except as provided in subparagraph (B) of this paragraph, the Administrator shall designate a section in each national cemetery in which persons eligible for interment may be buried in graves to be marked with upright grave markers pursuant to paragraph (3)(B) of this subsection.

"(B) Subparagraph (A) shall not apply to a national cemetery established before January 1, 1986, if the Administrator has never, before that date, authorized graves in such cemetery to be marked with upright markers.

"(3)(A) Except as provided in subparagraph (B) of this paragraph, each marker in a national cemetery shall be flat.

"(B) If a person to be buried in a national cemetery (or the survivor or the legal representative of such person) has requested that the person's grave be marked with an upright marker and space is available in a section designated under paragraph (2)(A) of this section for graves marked with upright markers, the person shall be buried in such section and an upright marker shall be used to mark the grave.".

(b) The amendments made by subsection (a) shall apply with respect to markers for the graves of persons who die on or after July 1, 1986.

REPORT ON THE NATIONAL CEMETERY SYSTEM

SEC. 402. (a) Not later than 18 months after the date of the enactment of this Act, the Administrator of Veterans' Affairs shall submit to the Committees on Veterans' Affairs of the Senate and the House of Representatives a report on the National Cemetery System established by section 1000 of title 38, United States Code. The Administrator shall submit a second such report not later than 60 months after such date.

(b) Each report required by subsection (a) shall include—

(1) a plan for the operation of the National Cemetery System through the year 2000, including a description of anticipated general trends relating to the operation of the National Cemetery System between the years 2000 and 2020 and a discussion of the provisions of the plan which were developed in response to those trends;

(2) a list, in order of priority, of the 10 geographic areas in the United States in which the need for additional burial space for veterans is greatest;

(3) assessments of the desirability and feasibility of acquiring existing State veterans' cemeteries in the geographic areas identified on the list described in clause (2) and of the role of State veterans' cemeteries generally in meeting the needs for burial space for veterans; and

(4) general plans (including projected costs, site location, and, if appropriate, necessary land acquisition) for any anticipated expansion of the National Cemetery System, including plans for meeting (A) the need for burial space for veterans in each geographic area iden-

tified on the list described in clause (2), and (B) the need for burial space in cemeteries other than cemeteries in the National Cemetery System in those areas.

MEMORIAL AREAS IN ARLINGTON NATIONAL CEMETERY

SEC. 403. (a) Chapter 75 of title 10, United States Code, is amended by adding at the end the following new section 1491:

"§ 1491. Memorial areas in Arlington National Cemetery

"(a) The Secretary of the Army may set aside, when available, a suitable area or areas in Arlington National Cemetery, Virginia, to honor the memory of members of the armed forces and veterans (as defined in section 101(2) of title 38)—

"(1) who are missing in action;

"(2) whose remains have not been recovered or identified;

"(3) whose remains were buried at sea, whether by the member's or veteran's own choice or otherwise;

"(4) whose remains were donated to science; or

"(5) whose remains were cremated and whose ashes were scattered without interment of any portion of the ashes.

"(b) Under regulations prescribed by the Secretary, appropriate memorials or markers may be erected in Arlington National Cemetery to honor the memory of those individuals, or group of individuals, referred to in subsection (a).".

(b) The table of sections at the beginning of such chapter is amended by adding at the end the following new item:

"1491. Memorial areas in Arlington National Cemetery.".

TITLE V—MISCELLANEOUS PROVISIONS

CLARIFICATION OF REQUIREMENT FOR A DETAILED PLAN AND JUSTIFICATION FOR ADMINISTRATIVE REORGANIZATION

SEC. 501. (a) Subparagraph (C) of section 210 (b)(2) is amended by inserting at the end the following new division:

"(iii) The term 'detailed plan and justification' means, with respect to an administrative reorganization, a written report which, at a minimum—

"(I) specifies the number of employees by which each covered office or facility affected is to be reduced, the responsibilities of those employees, and the means by which the reduction is to be accomplished;

"(II) identifies any existing or planned office or facility at which the number of employees is to be increased and specifies the number and responsibilities of the additional employees at each such office or facility;

"(III) describes the changes in the functions carried out at any existing office or facility and the functions to be assigned to an office or facility not in existence on the date that the plan and justification are submitted pursuant to subparagraph (A) of this paragraph;

"(IV) explains the reasons for the determination that the reorganization is appropriate and advisable in terms of the statutory missions and long-term goals of the Veterans' Administration;

"(V) describes the effects that the reorganization may have on the provision of benefits and services to veterans and dependents of veterans (including the provision of benefits and services through offices and facilities of the Veterans' Administration not directly affected by the reorganization); and

"(VI) provides estimates of the costs of the reorganization and of the cost impact of the reorganization, together with analyses supporting those estimates.".

(b)(1) Except as provided in paragraph (2), the amendment made by subsection (a) shall take effect with respect to administrative reorganizations proposed to be carried out in fiscal years beginning after fiscal year 1986.

(2) The amendment made by subsection (a) applies to the administrative reorganization referred to in the letters from the Administrator of Veterans' Affairs to the Committees on Veterans' Affairs of the Senate and the House of

Representatives, dated February 1, 1985, relating to the consolidation of certain Veterans' Administration Department of Veterans' Benefits activities from 59 regional offices into three processing centers.

DEFINITION OF VIETNAM ERA

SEC. 502. Section 101(29) is amended to read as follows:

"(29) The term 'Vietnam era' means (A) the period beginning on August 5, 1964, and ending on May 7, 1975, or (B) the period beginning on February 21, 1961, and ending on May 7, 1975, in the case of a veteran who served in the Republic of Vietnam during such period.".

EFFECT OF PAYMENT FOR THERAPEUTIC AND REHABILITATION ACTIVITIES ON PENSION ENTITLEMENT

SEC. 503. (a) Section 618 is amended by adding at the end the following new subsection:

"(g) Notwithstanding any other provision of law, no amount of remuneration provided to an individual as a participant in a therapeutic or rehabilitative activity carried out pursuant to this section shall be included in determining annual income for purposes of pension payments under laws administered by the Administrator.".

(b) The amendment made by subsection (a) shall take effect with respect to pension payments made on or after January 1, 1986.

ESTATE LIMITATIONS RELATING TO INCOMPETENT INSTITUTIONALIZED VETERANS

SEC. 504. Section 3203(b)(1)(A) is amended—

(1) by striking out "$1,500" and inserting in lieu thereof "$6,000"; and

(2) by striking out "$500" and inserting in lieu thereof "$2,000".

EVALUATION OF THE NEEDS OF NATIVE AMERICAN VETERANS

SEC. 505. (a)(1) Not later than February 1, 1986, the Administrator of Veterans' Affairs shall establish an advisory committee to conduct an evaluation to determine the extent to which the programs and other activities of the Veterans' Administration meet the needs of veterans who are Native Americans, including Alaska Natives (as defined in section 3(b) of the Alaska Native Claims Settlement Act (85 Stat. 689; 43 U.S.C. 1602(b)).

(2) The advisory committee shall consist of—

(A) the Secretary of Labor (or a representative of the Secretary of Labor designated by the Secretary after consultation with the Assistant Secretary of Labor for Veterans' Employment);

(B) the Chief Medical Director and Chief Benefits Director of the Veterans' Administration or their representatives; and

(C) members appointed by the Administrator from the general public, including—

(i) representatives of veterans who are Native Americans, including Alaska Natives and those with service-connected disabilities; and

(ii) individuals who are recognized authorities in fields pertinent to the needs of veterans described in subclause (i), including specific health care needs of such veterans and the delivery of health care services by the Veterans' Administration to such veterans.

(b) The evaluation required by subsection (a)(1) shall include—

(1) an assessment of the needs of the veterans described in subsection (a)(1) for health care, rehabilitation, readjustment counseling, drug and alcohol counseling, outreach services, and other benefits and assistance under programs administered by the Veterans' Administration; and

(2) a review of the manner in which and the extent to which the programs and other activities of the Veterans' Administration meet such needs.

(c)(1)(A) Not later than August 1, 1987, the advisory committee shall submit to the Administrator a report containing the findings and any recommendations of the advisory committee on the matters described in subsection (b).

(B) Not later than August 1, 1988, the advisory committee shall submit to the Administrator a report containing any views developed by the advisory committee after August 1, 1987, on the recommendations included in the report required by subparagraph (A) and the views of the advisory committee on any actions taken by the Administrator on such recommendations.

(2)(A) Not later than October 1, 1987, the Administrator shall submit to the Committees on Veterans' Affairs of the Senate and the House of Representatives the report submitted by the advisory committee to the Administrator under paragraph (1), together with any comments on the report and recommendations relating to such report that the Administrator considers appropriate.

(B) Not later than October 1, 1988, the Administrator shall submit to the Committees on Veterans' Affairs of the Senate and the House of Representatives the report submitted by the advisory committee to the Administrator under paragraph (1)(B), together with any comments and recommendations relating to the report that the Administrator considers appropriate.

(d) The Administrator shall determine the number and pay and allowances of members of the advisory committee appointed by the Administrator.

(e) The advisory committee shall terminate 90 days after the date on which the Administrator submits the report required by subsection (c)(2)(B).

COLLOCATION OF REGIONAL OFFICES AND MEDICAL CENTERS; ASSESSMENT OF COMBINING NEARBY REGIONAL OFFICES

SEC. 506. (a)(1) Not later than June 1, 1986, the Administrator of Veterans' Affairs shall submit to the Committees on Veterans' Affairs of the Senate and the House of Representatives a plan, including a schedule, for collocating at least 7 regional offices of the Veterans' Administration described in paragraph (3) with Veterans' Administration medical centers on the grounds of such medical centers. The plan and schedule shall provide for the collocations to be commenced and completed as soon as practicable.

(2) The plan required by paragraph (1) shall include—

(A) an analysis of the estimated costs and savings which would result from the collocations;

(B) the advantages and costs of furnishing personnel, supply, administration, and finance services and other supporting services jointly to regional offices of the Veterans' Administration and Veterans' Administration medical centers; and

(C) any other advantages and any disadvantages of such collocations relating to costs and the provision of benefits and services to veterans.

(3) The regional offices referred to in paragraphs (1) and (2) are regional offices of the Veterans' Administration which are not located at Veterans' Administration medical centers on the date of the enactment of this Act.

(b) The Administrator of Veterans' Affairs may submit together with the plan submitted under subsection (a) any assessment that the Administrator has made of the advantages, disadvantages, and costs of combining regional offices of the Veterans' Administration which, on the date of enactment of this Act, are located near each other.

VIETNAM EXPERIENCE STUDY OF THE HEALTH STATUS OF WOMEN VIETNAM VETERANS

SEC. 507. (a)(1)(A) Except as provided in paragraph (2), the Administrator of Veterans' Affairs shall provide, through contracts or other agreements with private or public agencies or persons, for the conduct of an epidemiological study of any long-term, adverse, and gender-specific health effects and other health effects which have been experienced by women who served in the Armed Forces of the United States in the Republic of Vietnam during the Vietnam era and which may have resulted from (i) traumatic experiences, (ii) from exposure to phenoxy herbicides (including the herbicide known as Agent Orange), to other herbicides, chemicals, or medications that may have deleterious health effects, or to environmental hazards during such service, or (iii) from any other similar experience or exposure during such service.

(B) The Administrator may also include in the study conducted under subparagraph (A) an evaluation of the means of detecting and treating long-term, adverse, and gender-specific health effects and other health effects found through the study.

(2)(A) If the Administrator, in consultation with the Director of the Office of Technology Assessment, determines that it is not feasible to conduct a scientifically valid study of an aspect of the matters described in paragraph (1)(A)—

(i) the Administrator shall promptly submit to the appropriate committees of the Congress a notice of that determination and the reasons for the determination; and

(ii) the Director, not later than 60 days after the date on which such notice is submitted to the committees, shall submit to such committees a report evaluating and commenting on such determination.

(B) The Administrator is not required to study any aspect with respect to which a determination or determinations have been made and a notice or notices have been submitted pursuant to subparagraph (A)(i).

(C) If the Administrator notifies the Congress of a determination made pursuant to subparagraph (A) that it is not scientifically feasible to conduct the study described in paragraph (1)(A), this section shall cease to be effective as if the section were repealed by law on the date of the notification under this subparagraph.

(b)(1) The study required by subsection (a) shall be conducted in accordance with a protocol approved by the Director of the Office of Technology Assessment.

(2) Not later than April 1, 1986, the Administrator shall publish a request for proposals for the design of the protocol to be used in conducting the study under this section.

(3) In considering any protocol for use or approval under this section, the Administrator and the Director shall take into consideration the protocol approved under section 307(a)(2)(A)(i) of the Veterans Health Programs Extension and Improvement Act of 1979 (Public Law 96-151; 93 Stat. 1097; 38 U.S.C. 219 note), and the experience under the study being conducted pursuant to that protocol.

(c)(1) Concurrent with the approval or disapproval of any protocol under subsection (b)(1), the Director shall submit to the appropriate committees of the Congress a report—

(A) explaining the reasons for the Director's approval or disapproval of the protocol, as the case may be; and

(B) containing the Director's conclusions regarding the scientific validity and objectivity of the protocol.

(2) If the Director has not approved a protocol under subsection (b)(1) by the last day of the 180-day period beginning on the date of the enactment of this Act, the Director—

(A) shall, on such day, submit to the appropriate committees of the Congress a report describing the reasons why the Director has not approved such a protocol; and

(B) shall submit to such committees an updated report on the report required by clause (A) each 60 days thereafter until such a protocol is approved.

(d)(1) In order to ensure compliance with the protocol approved under subsection (b)(1)(A), the Director shall monitor the conduct of the study under subsection (a).

(2)(A) The Director shall submit to the appropriate committees of the Congress, at each of the times specified in subparagraph (B), a report on the Director's monitoring of the conduct of the study pursuant to paragraph (1).

(B) A report shall be submitted under subparagraph (A)—

(i) before the end of the 6-month period beginning on the date on which the Director approves the protocol referred to in paragraph (1);

(ii) before the end of the 12-month period beginning on such date; and

(iii) annually thereafter until the study is completed or terminated.

(e) The study conducted pursuant to subsection (a) shall be continued for as long after the date on which the first report is submitted under subsection (f)(1) as the Administrator determines that there is a reasonable possibility of developing, through such study, significant new information on the health effects described in subsection (a)(1)(A).

(f)(1) Not later than 24 months after the date of the approval of the protocol pursuant to subsection (b)(1)(A) and annually thereafter, the Administrator shall submit to the appropriate committees of the Congress a report containing—

(A) a description of the results obtained before the date of such report under the study conducted pursuant to subsection (a); and

(B) any administrative actions or recommended legislation, or both, and any additional comments which the Administrator considers appropriate in light of such results.

(2) Not later than 90 days after the date on which each report required by paragraph (1) is submitted, the Administrator shall publish in the Federal Register for public review and comment a description of any action that the Administrator plans or proposes to take with respect to programs administered by the Veterans' Administration based on (A) the results described in such report, (B) the comments and recommendations received on that report, and (C) any other available pertinent information. Each such description shall include a justification or rationale for the planned or proposed action.

(g) For the purposes of this section—

(1) the term "gender-specific health effects" includes (A) effects on female reproductive capacity and reproductive organs, (B) reproductive outcomes, (C) effects on female-specific organs and tissues, and (D) other effects unique to the physiology of females; and

(2) the term "Vietnam era" has the meaning given such term in section 101(29) of title 38, United States Code.

II

99TH CONGRESS
1ST SESSION

H. R. 2344

IN THE SENATE OF THE UNITED STATES

MAY 22 (legislative day, APRIL 15), 1985

Received; read twice and referred to the Committee on Veterans' Affairs

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AN ACT

To amend title 38, United States Code, to make improvements in the National Cemetery System and in the Veterans' Administration program that provides assistance to certain disabled veterans in acquiring specially adapted residences, and to express the sense of Congress with respect to the Veterans' Administration home loan origination fee.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Veterans' Housing and Memorial Affairs Amendments of 1985".

SEC. 2. ORDERLY EXPANSION OF THE NATIONAL CEMETERY SYSTEM.

(a) Annual Report.—Section 1000 of title 38, United States Code, is amended by adding at the end the following new subsection:

"(c) Not later than July 1 of each year, the Administrator shall submit to the Committees on Veterans' Affairs of the Senate and House of Representatives a report on the construction and expansion of national cemeteries. Each report shall include—

"(1) a five-year plan for the construction and expansion of the National Cemetery System;

"(2) a list, in order of priority, of the 10 geographic areas in the United States in which the need for additional burial space for veterans is greatest;

"(3) an assessment of the desirability and feasibility of acquiring existing State cemeteries in the geographic areas included on the list; and

"(4) general plans (including projected costs, site location, and, if appropriate, necessary land acquisition) for each cemetery or proposed cemetery included in the five-year plan and general plans for the expansion of the National Cemetery System in each geographic area included on the list.".

(b) Submission of First Report.—The first report under section 1000(c) of title 38, United States Code, as added by subsection (a), shall be submitted not later than July 1, 1985, or the end of the 30-day period beginning on the date of the enactment of this Act, whichever is later.

SEC. 3. GRAVE MARKERS.

(a) IN GENERAL.—Section 1004(c) of title 38, United States Code, is amended—

(1) by inserting "(1)" after "(c)"; and

(2) by adding at the end the following:

"(2) Each such marker shall be upright, except that, if the person buried (or the survivor or legal representative of the person buried) has requested that the grave be marked with a flat marker, the person shall be buried in a cemetery section set aside for graves marked with flat markers and a flat marker shall be used.".

(b) EFFECTIVE DATE AND TRANSITION RULES.—(1) The amendments made by subsection (a) shall apply with respect to markers for the graves of persons who die after September 30, 1985.

(2) During the period beginning on October 1, 1985, and ending on December 31, 1985, the Administrator of Veterans' Affairs—

(A) may waive the applicability of section 1004(c)(2) of title 38, United States Code, as added by subsection (a), in the case of the grave of a person to be buried during such period in a cemetery in which there is no section set aside for graves with upright markers; and

(B) may deny a request under section 1004(c)(2) of title 38, United States Code, as added by subsection (a), that the grave of a person to be buried in a national cemetery be marked with a flat marker if the denial is for the reason that in the cemetery in which the burial is to take place there is no section set aside for graves with flat markers.

(3) Not later than January 1, 1986, the Administrator of Veterans' Affairs shall designate for each cemetery in the National Cemetery System a section in which graves shall be marked with upright markers and a section in which graves shall be marked with flat markers.

SEC. 4. ESTABLISHMENT OF A NATIONAL CEMETERY.

(a) IN GENERAL.—Subject to the conveyance to the United States of the land described in subsection (b), the Administrator of Veterans' Affairs shall establish a national cemetery in Merced County, California, on that land.

(b) ACCEPTANCE OF LAND.—The Administrator is authorized to accept from the Romero Ranch Company, a California corporation, a tract of land consisting of 350 acres, more or less, located in Merced County, California, if donated to the United States by the Romero Ranch Company for the purposes of the establishment of a national cemetery. The exact acreage and legal description of the land to be conveyed shall be determined by the Administrator and the company.

(c) ADMINISTRATION.—A national cemetery established under this section shall become part of the National Cemetery System and shall be administered under chapter 24 of title 38, United States Code.

SEC. 5. ASSISTANCE TO CERTAIN DISABLED VETERANS IN ACQUIRING HOUSING WITH SPECIAL FEATURES ALREADY IN PLACE.

(a) IN GENERAL.—Section 801(b)(1) of title 38, United States Code, is amended by inserting before the period at the end the following: "or in acquiring a residence already adapted with special features determined by the Administrator to be reasonably necessary for the veteran by reason of the veteran's disability".

(b) AMOUNT OF GRANT.—Section 802(b)(1) of such title is amended by striking out "cost" and inserting in lieu thereof "cost, or, in the case of a veteran acquiring a residence already adapted with special features, the fair market value,".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to residences acquired after September 30, 1985.

SEC. 6. HOME LOAN ORIGINATION FEE.

(a) FINDINGS.—The Congress finds that—

(1) the Veterans' Administration home loan guaranty program, which assists veterans in becoming homeowners, was established in recognition of veterans' service to the Nation;

(2) in establishing that program, Congress had no intention that the program serve as a means to achieve any Federal economic objective;

(3) the program has achieved its purpose of enabling veterans to obtain homes and has done so at the lowest possible cost to Federal taxpayers;

(4) the program is widely used by veterans seeking to buy their first home;

(5) the existing one-percent origination fee for Veterans' Administration home loan guarantees is designed to offset the costs of the program;

(6) the fivefold increase in the Veterans' Administration home loan origination fee proposed in the President's budget for fiscal year 1986 would, if enacted, have a serious detrimental effect on the ability of veterans to obtain loans for housing and would discourage homeownership; and

(7) this proposed increase in the origination fee is actually a disguised tax on home buying veterans.

(b) SENSE OF CONGRESS.—It is, therefore, the sense of the Congress that—

(1) the Veterans' Administration loan origination fee should remain at its present level of one percent of the amount of the loan guaranteed; and

(2) the President should review the level of funding necessary to support the Veterans' Administration home loan guaranty program and, if additional funding for the program is required, should submit an amended budget request recommending additional appropriations for the program.

Passed the House of Representatives May 20, 1985.

Attest: BENJAMIN J. GUTHRIE,
Clerk.

Statement of the
National Home Study Council

In Support of

S. 1509, dated July 26, 1985
To amend chapter 30 of title 38, United States Code

Presented to
The Senate Committee on Veterans Affairs

Submitted by
William A. Fowler, Executive Director
National Home Study Council
1601 - 18th Street, N.W.
Washington, D. C. 20009
202-234-5100

October 3, 1985

OVERVIEW

S. 1509 proposes to include correspondence study as an eligible training option in the All-Volunteer Force Educational Assistance Program. Currently, correspondence study is excluded from the program, much to the detriment of the men and women serving in our armed forces as well as future generations of recruits. Depriving our armed forces personnel of the opportunity to choose this method of education -- a method which for over a century has helped more than 70 million Americans achieve their educational goals -- is unfair, unwise, and economically foolhardy.

Correspondence study provides the most flexible, lowest cost, most convenient learning opportunities for adults, from high tech certificate programs in computers to academic degrees in business management. Five million students currently study by correspondence today in America.

Over one third of all active duty people who used their G.I. Bill benefits under the Vietnam-era G.I. Bill chose home study. The All-Volunteer Force Educational Program, if it is to be useful in attracting and retaining in service qualified enlistees, should surely include correspondence education.

STATEMENT - THE NATIONAL HOME STUDY COUNCIL

I am William A. Fowler, Executive Director of the National Home Study Council of Washington, D.C. I am also the Executive Secretary of the Accrediting Commission of the National Home Study Council. I have completed 25 years of service with the NHSC -- as Assistant and Associate Director for eleven years and as Executive Director since 1972.

As S.1509 is being considered, I urge that careful attention be given to this statement and to the distinguished 40 year record home study schools have achieved in helping our nation's veterans and active duty persons.

The Home Study Field

I submit this statement conviced that home study has really helped active duty personnel and veterans. It is an educational method that is better understood by them and the every-day man-on-the-street than by most professional educators, legislators and regulators. It is an unusual combination of educational product and service that is used by people to fill their educational needs. Home study is used in many ways, but by and large it is the kind of education that appeals to people who can't or won't take advantage of more conventional educational methods.

Today, more than five million Americans are enrolled in home study courses. It is estimated that since 1900 some 70 million Americans have taken home study courses.

NHSC schools offer more than 500 different academic degree programs and vocational courses by mail, in such topics as: accounting, appliance repair, automotive mechanics, business administration, electronics, microcomputer repair, robotics, telecommunications, surveying, and hundreds of others. Some unique courses not offered in resident schools are yacht design and sail making. All of these courses make use of specially written texts and quite often include practical "hands on" training projects. Course length ranges from six months to four years. The vast majority of schools enroll and teach students entirely through the mails.

Over the years home study schools can point to a solid record of achievement in providing valuable service to the nation and to many active duty personnel and veterans who, without the benefits of home study, would surely have been denied an opportunity for education or training. Since the founding of the first private home study school in 1890, these schools have continued to meet a need not met by "traditional" education. It is well to understand and appreciate this as S. 1509 is being considered.

More importantly, we should realize that, if we are to attract highly qualified men and women into the military today -- and keep them in the service -- home study training should certainly be one benefit which is offered to them. Why? Because, historically, as the data show, home study is a popular choice of active duty people. Experience shows that successful correspondence study students make excellent military service members: motivated, disciplined, and skilled contributors to our nation. And they can study without leaving the service. Home study has been an ideal educational alternative for service persons and veterans, including:

- the homebound individuals -- who, because of society's barriers, lack of transportation, or a handicap, cannot take advantage of local educational resources.
- the geographically isolated -- the individuals whose primary source of educational opportunity may well be the school which uses the postal system. Millions of active duty service people over the years have fit this classification.
- the busy adult -- NHSC surveys reveal that the typical home study student is in his or her mid-thirties, beyond the age when most of us receive our formal schooling. Many returning veterans, unable to devote their time to classroom study, opted to study by mail while they struggled to get re-established in society, start a family and earn a modest living while still trying to gain -- or update -- a salable civilian skill.

The National Home Study Council

The National Home Study Council, founded in 1926 under the cooperative leadership of the Carnegie Corporation of New York and the National Better Business Bureau, is usually referred to as the NHSC. It is a non-profit educational association of more than 90 accredited home study schools. Although the NHSC is nationally known and its Accrediting Commission is nationally recognized, it is relatively small when compared to most other educational associations. NHSC schools are located in 23 states and the District of Columbia. We have an association staff of six full-time people. The association is financed entirely by dues paid by members. While the Council is a non-profit association, it receives no financial assistance of any kind from the government.

The independent seven-member accrediting Commission of the National Home Study Council was established in 1955; shortly thereafter, it gained the approval of the U.S. Department of Education as the "nationally recognized accrediting agency" for home study schools. The Accrediting Commission includes four public members (representatives from the fields of industry, postsecondary education, business, and government), and three members from the field of home study education. Its work in accrediting academic degree programs is recognized by the U.S. Department of Education and by the Council on Postsecondary Accreditation from the associates through the masters degree levels.

Home Study and the Veteran

For the veteran or active duty person, home study has long been an accepted way of acquiring a career skill in a convenient, effective way.

During the late 1960's and early 1970's, of all active duty servicemen using their G.I. Bill benefits, over one-third of them used their benefits to enroll with a correspondence school. The barriers of time and space did not prevent these people from preparing to make a smooth re-entry into the peacetime work place. Home study was there to help them. And it did!

In fact, a publication entitled "Veterans Benefits Under Current Education Programs (IB 04-77-1)," published by the Veterans Administration, reported the following:

- More than 1.1 million veterans and service personnel have studied correspondence courses during the period 1966-1976. This represents 17.8 percent of the total of all G.I. Bill students enrolling in all types of schools.

More than 33 percent (or 240,198) of the service personnel on active duty using G.I. Bill benefits enrolled in correspondence courses.

- The report states: "Almost all correspondence training has been taken at schools other than colleges." In fact, 99.2 percent of the students studied with private home study schools . . . the vast majority of them with NHSC schools.

- For peacetime post-Korean veterans, more than 23 percent (324,510) of the students elected to study by correspondence. Stated the Veterans Administration: "The relatively high incidence of correspondence training among trainees who are peacetime post-Korean conflict veterans probably reflects the fact that for many of these older, more established veterans correspondence is the only type of training flexible enough to fit their more rigid family and job requirements."

As we approach another end of a century, we face new challenges as a nation: preserving our liberty by maintaining a strong defense posture. The key asset to a strong military is to have a cadre of educated, motivated, talented people. And, if we ever hope to get the best qualified people into our military -- and keep them there -- home study training must be offered as a benefit to them.

The Benefits and Advantages of Home Study

One of the central advantages of the home study method has been its flexibility. In a 1976 Veterans Administration report, Senate Committee Print No. 49 (94th Congress) entitled, "Training by Correspondence Under the G.I. Bill," it was stated:

- Correspondence training has a much lower average cost than other types of training. And correspondence training is convenient. Potential trainees, who would have to give up their job or suffer some other inconvenience to take other types of training, can often use their spare time to take correspondence training, as can many service personnel whose duties preclude other types of training. In addition, correspondence training has the attribute of less foregone earnings than other types of training because it can be taken in the trainee's spare time. It, therefore, requires no living expense subsidy in addition to tuition.

Other factors explaining the popularity of home study include:

1. Home study is one of the lowest cost types of education. In a 1976 National Center for Education Statistics (NCES) Report, "Learning a Skill Through Correspondence," it was stated: "Correspondence programs cost less, on the average, than those taken in residential schools. In 1976, the average charge for all correspondence programs was $698 and $1,693 for non-correspondence programs." A similar 1978 study by NCES affirmed this wide gap.
2. Home study is a valid educational alternative. Several dozen research studies over the past 50 years have shown that ". . . the research seems clearly to indicate that correspondence students perform just as well as, and in some cases better than, their classroom counterparts." (Source: Correspondence Study: A Summary Review of the Research and Development Literature by David E. Mathieson, 1970).
3. The single largest supplier of home study in the world is the U.S. military. To active duty personnel, home study training is an integral part of every career person's training portfolio. For example, the Extension Course Institute of the U.S. Air Force enrolls over 300,000 students. The Marine Corps Institute enrolls over 200,000 students. The U.S. Army enrolls over 300,000 students and has over 2,000 courses. Other service correspondence schools

include the Naval War College, the U.S. Coast Guard, and the National Defense University. Many of these schools have been operating for 50 years or more. The Air Force, Army, Marine Corps and Coast Guard correspondence schools are all accredited by the Accrediting Commission of the National Home Study Council. The military has identified correspondence study as one of the most cost efficient training methods available today.

4. The federal government is the single largest supplier and user of correspondence instruction in the United States. Over 2 million students were enrolled by government agency correspondence schools.

   Federal agencies with correspondence schools include the Federal Aviation Administration, the U.S. Department of Agriculture, the Department of Transportation, the U.S. Postal Service, Federal Emergency Management Administration and the Office of Personnel Management, to name just a few.

   The government has found home study to be a flexible, effective teaching method which has been proved to be both economical and "controllable" in terms of educational content and level of educational quality.

5. In a Stanford University research project entitled, Home Based Education, funded by the National Institute of Education, the following major conclusions were reached:

- The "large numbers" of students taking the wide variety of courses by correspondence "provide adquate testimony to the need for home-based (correspondence) education."

- Correspondence instruction "is economically relatively cheap" and "it will continue to have a robust future for the rest of this century."

6. In a 1983 NHSC survey of students who earned an academic degree from one of five different accredited correspondence schools, the following facts emerged:

- Graduates had selected the home study method because it was the most convenient way for them (75%); respondents also said the number one strong point of the method was the flexibility of studying at one's own pace (40%).
- Eighty-two percent of the respondents said that home study was comparable to, or more difficult than, resident class instruction.
- Ninety-seven percent felt that their degree programs provided the knowledge, skills and education they were seeking.
- Ninety-one percent of the graduates felt that they had -- or will have -- the job or salary increase they were seeking as a result of earning their degree. Forty-one percent reported already having had an increase in income.
- Ninety-two percent said they felt home study was worth the effort required.
- The primary goals (73%) for seeking a degree were career/job related.
- Eighty-seven percent of the graduates felt their home study degrees were as valuable or more valuable than a resident school degree.
- Ninety-six percent said they were satisfied with their school's programs and services.

To help understand why correspondence study is so critical in helping maintain a strong active duty force, let us consider and individual who is an outstanding example of thousands of other men and women in uniform today, a Marine Corps Sergent who has completed both civilian and military correspondence courses.

Arthur E. Goodwin is a Sergeant in the U.S. Marine Corps. He sucessfully completed 73 of the Marine Corps Institute's home study courses in one year while stationed in Beirut, Lebanon, on a very arducus and dangerous assignment. In addition to the MCI courses, he also completed four courses from the International Correspondence Schools (a civilian home study school), one from the Naval Education and Training Program Development, and one from the U.S. Army Institute for Professional Development, the Army's correspondence training activity.

Sergeant Goodwin deployed with a Marine unit to Beirut, Lebanon, in early 1983. During his deployment, he served as an instructor, teaching artillery fire direction techniques to Lebanese Army Officers; as a patrol leader for numerous foot patrols throughout the southern Beirut area; as a squadleader; and as a Sergeant of the Guard for the augmented guard force for the American Embassy in Beirut during the aftermath of the embassy's tragic bombing.

Sergeant Goodwin's outstanding training and service was recognized by the Commander of the Lebanese Army in a Certificate of Appreciation awarded him.

Here is what Sergeant Goodwin says of his home study training:

> "I have used home study courses to broaden my professional knowledge, not only in my own field of artillery, but across the Marine Corps as a whole. As a result, I have a much better understanding of how the different occupational fields are supposed to work together in accomplishing the Marine Corps' mission. This has been of great use to me in Lebanon, when the challenges were many and always changing."

Sergeant Goodwin and thousands like him deserve to have the opportunity to select the study alternative which best fits their needs.

SUMMARY

To summarize our position, we submit that correspondence study is:

- the least expensive method for job training requiring the least expenditure of funds.
- one of the most popular forms of education among active duty service people generally, and hence, a powerful inducement for enlistment and retention.
- a highly cost effective way of providing useful, critical skills to veterans -- as demonstrated by the heavy use of home study by the military.
- able to train thousands of veterans outside the classroom walls.

We submit that home study education has done the nation a service by providing high quality career vocational training to over one million veterans. If anything, home study should be commended by Congress for helping to reach out and enhance the employability of veterans who might never have taken any other avenue toward employability.

We submit that if Congress asks the students who took courses if they had benefited, the overwhelming response would be "YES."

We submit that to continue to exclude home study from the All-Volunteer Force Educational Assistance Program would, in effect, mean that underemployed or unemployed veterans, disabled or isolated veterans, and older or disadvantaged veterans, may have the door to educational opportunity closed to them in the future.

We submit that home study benefits will help attract and retain qualified people into the military.

We respectfully submit that it is in the nation's best interest that Congress encourage greater participation by active duty people in correspondence training -- the self-discipline required for success in correspondence study is an excellent companion for the self-descipline needed for success in military service.

We face a need in our society to provide our veterans and service people with more ways to obtain specific, job-related training. We must make better use of alternative forms of education like home study which are, by their nature, well-equipped to fill critical gaps in our educational system.

Home study will continue to grow in the military, in the government and in civilian circles because there will be future generations of people who won't be able to report regularly to a classroom to learn, but who, nonetheless, need and deserve the right to study on their own, wherever they wish, and on their own time schedule.

We emphatically urge that in the interest of equity and sound judgment, S. 1509 be enthusiastially supported.

Respectfully submitted,

William A. Fowler
Executive Director
National Home Study Council
Washington, D. C.
202-234-5100

October 3, 1985

FACTS ON CORRESPONDENCE STUDY

1. Correspondence study institutions have over a century of experience in providing 70 million Americans with educationally sound, low cost and convenient educational options.

2 Many dozens of research studies have concluded that on balance, correspondence study is as effective as, if not better than, residential instruction in similar subjects.

3. The single largest supplier of correspondence instruction in the world today is the U.S. military. Over 2 million active duty and reserve forces study military topics by correspondence. Military correspondence instruction, now in its 70th year, has been found to be the least costly way to achieve maximum training results.

4. Recognized, accredited academic degrees are available through home study in many descriptions, from engineering technology to business topics.

5. Correspondence schools provide active duty persons valuable training in skill areas of critical national value: electronics technology, computers, engineering topics, etc.

6. Correspondence training was a top choice of active duty service persons from 1966 to 1980; over one-third of the Vietnam-era persons chose correspondence as a method for study.

7. Correspondence training courses offer practical, vocational studies long used by business and industry for personnel training. The nation's economy benefits with every technician and every student trained.

8. Correspondence courses reach out to train people who are geographically isolated, homebound, or unemployed and unwilling to attend resident schools with people who are many years younger.

PREPARED STATEMENT OF JAMES A. KISER, JR., COORDINATOR FOR STUDENT SERVICES, SOUTH CAROLINA STATE BOARD FOR TECHNICAL AND COMPREHENSIVE EDUCATION, COLUMBIA, SC; JOHN W. DAVIS, VICE PRESIDENT FOR STUDENT SERVICES, ASHEVILLE-BUNCOMBE TECHNICAL COLLEGE, ASHEVILLE, NC; AND RON MIRIELLO, DIRECTOR OF ADMISSIONS, FAYETTEVILLE TECHNICAL INSTITUTE, FAYETTEVILLE, NC

Mr. Chairman and members of the Committee, I am Jim Kiser, Coordinator for Student Services with the South Carolina State Board for Technical and Comprehensive Education in Columbia, South Carolina. Accompanying me are Jack Davis, Vice President for Student Services at Asheville-Buncombe Technical College in Asheville, North Carolina, and Ron Miriello, Director of Admissions at Fayetteville Technical Institute in Fayetteville, North Carolina. We have been actively involved in veterans education in our respective states and with national veterans legislation for many years. During this time we have been privileged on several occasions to testify before this Committee and the House Committee. Our primary interest has been, and continues to be, to assure that our veterans receive a quality education as well as equitable treatment under the law. We, therefore, wish to offer a statement in support of S.1207 which equalizes regulations governing benefits for all veterans attending fully accredited institutions of higher learning.

We are cognizant of the type of vocational education which emerged following World War II and the problems created by a number of so-called "fly by night" schools with the resulting restrictions that had to be mandated by Congress. In recent years many of these vocational programs have been absorbed by accredited technical and community colleges. This has been a positive development inasmuch as advances in technology have dictated a higher level of sophistication in the training and instruction of these non-college degree (NCD) programs.

Moreover, these colleges have insisted on a quality of education in vocational programs equal to that of their degree (IHL) courses. In spite of the substantial upgrading of vocational education opportunities, many of the laws and regulations governing veterans in these programs remain essentially the same as they were in the period immediately following World War II. Historically, veterans, whose occupational choices have required preparation in vocational subject areas, could receive such education in schools which were not postsecondary in nature. Again, rapid changes in technology in this country have caused these programs to be broadened in scope and depth to such an extent that they are now an integral part of many fully accredited colleges and include a variety of academic courses normally thought of as college level. These courses require the same outside preparation as is the case in IHL programs. It is our understanding that the rationale for allowing credit hours to be the basis for measurement in degree programs has been the expectation that each student would spend two hours in outside study for each hour in class. As we know, this is a rather naive expectation for many college courses but, nonetheless, it should apply equally to similar courses without regard to the fact that one leads to a degree and the other to a diploma or certificate.

Also, consider the shop or laboratory experience required in NCD courses. In these settings students are prepared for careers as highly skilled craftsmen who will make a positive, immediate contribution to our society. Training is given on modern, complex equipment required by our current state of technology.

The ability to work with precision in metals and with beauty and craftsmanship in wood is developed; yet, this activity is not considered equal to that of the university student who rolls clay into imaginative figures and shapes, glazes them and bakes them and receives two credit hours, of the twelve required, for a college course called ceramics.

The Smith-Hughes approach to vocational education, which usually meant thirty hours per week in the same shop with the same instructor, is not employed in accredited colleges. The Smith-Hughes plan predominated in 1950, the year in which this segment of the current law was written. Please note that this was thirty five years ago. Since that time, Congress has provided for the establishment of SAAs in each state which have the responsibility to insure veterans of a quality education in both IHL and NCD types of programs. Additionally, accrediting agencies approved by the Department of Education prescribe standards of quality which are equally applied to IHL and NCD programs. It should be noted that accrediting agencies (through their commissions on colleges) of this type accredit the entire college and not just one segment.

In the past several years Congress has become increasingly aware of the unfairness imposed by the law on veterans pursuing vocational programs and has seen fit to correct many of these inequities. We would like now to point out several areas still in existence that are grossly unfair and will be corrected when S.1207 is enacted into law.

First, veterans in NCD programs at accredited colleges are required to provide a monthly record of attendance and absences and may be penalized for absences through docking of pay though IHL veterans have no absence limit or requirement to provide a monthly record of attendance. Moreover, colleges must report NCD veterans as absent even when the college is not in session between terms (excluding faculty work days, breaks surrounding legal Holidays or closings due to inclement weather). IHL veterans have no penalty for absences.

Second, NCD veterans are required to attend college classes for both credit hours plus twenty-two contact hours for minimum full time measurement, though IHL veteran full time measurement is based solely on a twelve credit hour minimum regardless of contact hours. In actuality, classes that are strictly lecture yield one credit hour for each contact hour.

Third, NCD veterans attending accredited colleges must be certified on a monthly basis though IHL veterans may be certified on a quarter or semester basis.

Fourth, NCD veterans' pay begins only on the first day of class attendance though IHL veterans may receive pay from the date of registration (up to two weeks before the first day of classes, and NCD veterans' pay ends on the last day of college attendance) though IHL veterans' may receive pay until date of graduation (up to two weeks after the last date of class attendance).

Fifth, NCD veterans are limited to thirty days of absence in a twelve month period if attending five days per week. College break days (not surrounding legal holidays, teacher work days, or as a result of inclement weather) are counted as absences.

IHL veterans have no absence limit imposed.

Sixth, NCD veterans are paid based on a thirty day month but are docked for absences based on a twenty day month whereas IHL veterans are not limited to or docked pay for absences.

It is common knowledge that the student veteran population has been declining, however, recent passage of the "All Volunteer Force Education Assistance Program" will soon result in a significant increase in the enrollment of eligible veterans in higher education. We are confident that the Committee wishes to provide equal treatment to those who, through honorable service to this nation, have earned the right to such consideration. We are aware that the VA is suffering a work overload due to budget cuts and, most assuredly, our colleges are experiencing the same problem. Further increases in workloads will naturally result as veterans become eligible for the new Chapter 30 benefits. Passage of S. 1207 in its present form will insure quality education, provide equal treatment to all our student veterans, and reduce unnecessary paperwork for the VA, SAAs, and colleges.

Mr. Chairman, this concludes our testimony. We will be pleased to respond to questions or to elaborate on any points we have made.

Office of General Counsel Washington D.C. 20420

Veterans Administration

NOV 12 1985

In Reply Refer To

Honorable Alan Cranston
Ranking Minority Member
Committee on Veterans'
Affairs
United States Senate
Washington, D.C. 20510

Dear Senator Cranston:

Enclosed please find the Agency's responses to the follow-up questions you submitted following the Committee's October 3, 1985, hearing on the COLA increase for disability compensation and DIC for surviving spouses and children. It is our understanding that question #1 has been withdrawn.

I appreciate the opportunity to provide additional information for the record.

Sincerely yours,

Donald L. Ivers

DONALD L. IVERS
General Counsel

Enclosure

Q. 2: You note in connection with S. 1207, relating to the pursuit and measurement of certain non-college degree courses, that you believe it is too broad and instead favor the enactment of section 112 of the VA's proposed "Veterans' Educational Assistance Improvement Act of 1985". Please provide for a record a detailed listing of the requirements that would be covered by S. 1207 that would not be covered by your proposal, in each case indicating why you believe the requirement should apply to such non-college degree courses.

A: 2: Current provisions governing pursuit of noncollege (NCD) courses evolved from Congress' desire in enacting the Korean Conflict G. I. Bill to prevent the recurrence of extensively documented abuses and fraudulent practices which arose under the World War II G. I. Bill. In particular, provisions were enacted which required monitoring and reporting attendance, and which linked payments to the rate and period of attendance certified. These provisions were instituted to restrict benefits to those engaged in bona fide educational pursuit, and have served well over the past 30 years to ensure that Federal benefits for pursuit of NCD training have been used as intended. Historically, therefore, it has been shown that more restrictive requirements for such course pursuit are warranted.

Collegiate degree courses and vocational courses are essentially different, whether given in the same or different schools. The objectives of vocational courses are usually stated in terms of vocational or occupational competence. Emphasis is placed on instruction which trains the hand and mind to perform an operation or a variety of operations for which there is generally an accepted employment market.

Course credit is generally given when the student receives a specified number of hours of instruction under the instructor's supervision. This type of training emphasizes learning by doing since the ultimate goal is to impart vocational or technical skills. A student must attend class or be present at school in order to have available the equipment and expertise needed to acquire the skills he or she seeks.

Many changes have occurred in the area of technical and vocational education since the enactment of World War II and Korean Conflict G. I. Bills, and we acknowledge that vocational courses have become increasingly academically oriented, in certain instances requiring as much outside preparation (the traditionally recognized distinction) as college degree courses. Nevertheless, we must continue to recognize that distinctions between these types of programs still exist.

S. 1207 proposes to exempt certain NCD courses from the existing absence accounting and NCD course measurement standards if the particular institution offering the courses is fully accredited and offers both college degree and NCD courses. While accreditation of an institution does reflect a measure of assurance as to the quality of courses offered, we do not believe, nor has Congress ever indicated that such status, should be a determining factor with regard to absence accounting or measurement of NCD courses on a quarter-hour or semester-hour basis. Further, we believe that the broad criteria suggested would only create new inconsistencies and inequities.

Whereas S.1207 would make amendments to 38 U.S.C. §§ 1780(a) (attendance reporting and recordkeeping requirements) and 1788(a) (course measurement), affecting a broad category of NCD courses and educational institutions, the VA's proposal is a limited amendment affecting only the latter section. Our proposal would correct an obvious inconsistency in full-time pursuit requirements for certain NCD courses approved for alternative measurement on a credit-hour basis. It would also establish parity of benefits in cases where NCD students pursuing certificate programs at institutions of higher learning are enrolled in the same classes as students pursuing degree programs.

In sum, we agree that parity of benefits as to certain NCD and college degree pursuit is appropriate. However, the amendments proposed in S.1207 are not sufficiently tailored, in contrast to our proposal, to cover only NCD course pursuit which is reasonably similar to character, content, and quality to pursuit of an institution's college degree courses. Thus, parity between certain NCD and college degree courses would be established where it is not warranted.

Question 3. A. In connection with S. 966, which would establish a program of mortgage life insurance for certain service-connected disabled veterans, you note in your testimony that a start-up appropriation would be needed. What is your estimate of the amount of that appropriation?

B. What is your estimate of the annual administrative costs that the Government would incur?

Answer 3A. The Agency's estimate of the start-up appropriation required to implement S. 966 is $1,674,312, exclusive of data processing expenses.

3B. The Agency's estimate of the administrative costs which would be incurred under S. 966 over a 5-year period is $3,768,578. On an annual basis, administrative costs over the first 5 years are estimated as follows:

First Year	$696,410
Second Year	725,659
Third Year	754,685
Fourth Year	782,608
Fifth Year	809,216